



**! Kheis**  
Munisipaliteit  
Municipality

Financial statements  
for the year ended 30 June 2016

## **!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

### **GENERAL INFORMATION**

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<b>Legal form of entity</b>	Local Municipality
<b>Nature of business and principal activities</b>	Providing municipal services
<b>Mayoral committee</b>	
Mayor	<b>Cllr P Vries</b>
Councillors	Cllr K Esau Cllr E Cloete Cllr JPI Joseph Cllr AL Diergaardt Cllr W Maritz Cllr S Esau
<b>Capacity of local authority</b>	Low capacity municipality
<b>Accounting Officer</b>	HT Scheepers Municipal Manager
<b>Chief Financial Officer (CFO)</b>	JD Block
<b>Registered Office</b>	97 Orange Street Groblershoop 8850
<b>Business address</b>	97 Orange Street Groblershoop 8850
<b>Postal address</b>	PO Box 178 Groblershoop 8850
<b>Bankers</b>	First National Bank Groblershoop 8850
<b>Telephone number:</b>	054 833 9500
<b>Fax number:</b>	054 833 9509
<b>E-mail address:</b>	<a href="mailto:blockdonovan@gmail.com">blockdonovan@gmail.com</a>
<b>Auditors</b>	Auditor - General Kimberley
<b>Attorneys</b>	Cornellison Incorporated

## **!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

### **General information (continued)**

#### **Enabling Legislation**

Local Government: 'Municipal Finance Management Act (Act no 56 of 2003)  
Local Government: Municipal Systems Act (Act no 32 of 2000)  
Local Government: Municipal Structures Act (Act no 117 of 1998)  
Municipal Property Rates Act (Act no 6 of 2004)  
Division of Revenue Act (Act 6 of 2011)  
  
Municipal Planning and Performance Management  
Regulations Water Service Act (Act 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Skills Development Levies Act (Act 9 of 1999)  
Unemployment Insurance Act (Act no 30 of 1966)  
Employment Equity Act (Act 55 of 1998)  
Electricity Act (Act no 41 of 1987)  
The Income Tax Act  
Value Added Tax Act  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations

## **!Kheis Local Municipality**

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature.

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#### **Abbreviations**

COID	Compensation of Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Standard of Generally Accepted Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standard
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (previously CMIP)
MSIG	Municipal Systems Improvement Grant
DWA	Department of Water Affairs
FMG	Financial Management Grant

## **!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

### **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

It is acknowledged that the accounting officer is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, standards are set for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

In my opinion as accounting officer and based on the information and explanations given by management, the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I reviewed the municipality's cash flow forecast for the year to 30 June 2016 and its financial position as at 30 June 2016, and, in my opinion, the municipality is sound enough financially to be able to continue its service obligations to its community.

The accounting officer is responsible for the preparation of these financial statements, which are set out on pages 1 to 89 in terms of section 126 (1) of the Municipal finance Management Act and which I have signed on behalf of the municipality.

I certify that salaries, allowances and benefits of Councillors as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the constitution, read with the remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on page 1 - 89 which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed on its behalf by:

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Accounting Officer  
HT Scheepers - Municipal Manager

## **!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

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### **Accounting Officer's Report**

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The accounting officer submits her report for the year ended 30 June 2016

#### **1. Review of activities**

##### **Main business and operations**

The municipality is engaged in providing municipal services and operates principally in the Northern Cape Province in South Africa.

The operating results and the state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comments.

#### **2. Going concern**

We draw attention to the fact that at 30 June 2016, the municipality had accumulated surplus of R 147 733 841 and that the municipality's total assets exceed its liabilities by R 147 733 841

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of this is that the accounting officer continue to procure funding for the ongoing

Due to lack of sufficient cashflow during the year the Municipality did struggle to continue to deliver on its promises as contained in their budget and IDP. With the communities current unemployment rate of nearly 70% this was however expected.

#### **3. Accounting policies**

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

#### **4. Accounting Officer**

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name  
HT Scheepers

Nationality  
RSA Citizen

**!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Statement of Financial Position as at 30 June 2016**

Figures in Rand	Note(s)	2016	2015
<b>Assets</b>			
<b>Current assets</b>			
Other financial assets	6	691 119	685 654
Inventories	7	106 512	120 043
Other receivables from non-exchange transactions	8	4 356 654	3 282 492
VAT receivable	9	169 318	2 092 176
Trade and other receivables from exchange transactions	10	8 327 073	9 726 258
Cash and cash equivalents	11	415 655	435 377
		<b>14 066 331</b>	<b>16 342 000</b>
<b>Non-current assets</b>			
Property, plant and equipment	4	156 901 585	151 836 154
Intangible assets	5	-	-
		<b>156 901 585</b>	<b>151 836 154</b>
<b>Total assets</b>		<b>170 967 916</b>	<b>168 178 154</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Unspent conditional grants and receipts	13	289 028	-
Provisions	14	3 735 806	2 866 629
Payables from exchange transactions	15	13 456 642	14 320 921
VAT payable	9	2 760 177	4 920 841
Current portion of non-current liabilities	16	1 000 148	1 937 335
Consumer deposits	17	78 432	69 387
		<b>21 320 231</b>	<b>24 115 112</b>
<b>Non-current liabilities</b>			
Finance lease obligation	12	1 913 845	1 849 368
		<b>1 913 845</b>	<b>1 849 368</b>
<b>Total liabilities</b>		<b>23 234 076</b>	<b>25 964 480</b>
<b>Net assets</b>		<b>147 733 840</b>	<b>142 213 674</b>
Accumulated surplus / (deficit)		147 733 841	142 213 674
<b>Total net assets</b>		<b>147 733 841</b>	<b>142 213 674</b>



# !Kheis Local Municipality

Annual Financial Statements for the year ending 30 June 2016

## Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus	Total net assets
<b>Balance at 01 July 2012</b>	<b>137 841 472</b>	<b>137 841 472</b>
Changes in net assets	-	-
Surplus for the year	8 879 677	8 879 677
<b>Total changes</b>	<b>8 879 677</b>	<b>8 879 677</b>
<b>Balance at 01 July 2013</b>	<b>146 721 149</b>	<b>146 721 149</b>
Changes in nett assets	-	-
Prior Adjustment	2 272 770	2 272 770
Surplus for the year	(10 120 772)	(10 120 772)
<b>Total changes</b>	<b>(7 848 002)</b>	<b>(7 848 002)</b>
<b>Balance at 01 July 2014</b>	<b>138 873 147</b>	<b>138 873 147</b>
Changes in nett assets	-	-
Surplus for the year	3 340 528	3 340 528
<b>Total changes</b>	<b>3 340 528</b>	<b>3 340 528</b>
<b>Balance at 30 June 2015</b>	<b>142 213 674</b>	<b>142 213 674</b>
Changes in nett assets	-	-
Prior Adjustment	(1 905 074)	(1 905 074)
Surplus for the year	7 425 240	7 425 240
<b>Total changes</b>	<b>5 520 166</b>	<b>5 520 166</b>
<b>Balance at 30 June 2016</b>	<b>147 733 841</b>	<b>147 733 841</b>

Note(s)

**!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Statement of Financial Performance**

Figures in Rand	Note (s)	2016	2015
<b>Revenue</b>			
Sale of goods		-	70 802
Rental of facilities and equipment		599 396	541 218
Property rates	19	3 876 125	3 806 794
Service charges	20	9 089 139	8 620 679
Government grants & subsidies	21	38 685 598	42 021 408
Licenses and permits		314 560	162 238
Debt Impairment Gain		-	-
Other income	22	1 154 691	391 800
Interest received - investment	27	241 230	156 198
Interest received - Receivables		-	-
<b>Total revenue</b>		<b>53 960 740</b>	<b>55 771 139</b>
<b>Expenditure</b>			
Personnel	24	(17 562 054)	(15 361 357)
Remuneration of councillors	25	(2 347 422)	(2 006 410)
Debt impairment	26	(5 534 854)	(8 674 684)
Depreciation and amortisation	28	(8 083 158)	(11 472 677)
Finance costs	29	(502 546)	(491 105)
Grants and Subsidies Paid - Operational (UDS Toilets)	30	(2 294 877)	(3 909 871)
Repairs and maintenance		(1 215 803)	(485 677)
Bulk purchases	31	(888 575)	(942 521)
General expenses	23	(8 104 445)	(9 019 598)
<b>Total expenditure</b>		<b>(46 533 733.61)</b>	<b>(52 363 902)</b>
<b>Operating (deficit) surplus</b>		<b>7 427 006</b>	<b>3 407 237</b>
Gain on non-current assets held for sale or disposal groups		(1 766)	(66 710)
<b>(Deficit) surplus for the year</b>		<b>7 425 240</b>	<b>3 340 528</b>
<b>Attributable to:</b>			
Owners of the controlling entity		<b>7 425 240</b>	<b>3 340 528</b>

**!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Cash Flow Statement**

Figures in Rand	Note (s)	2016	2015
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		3 635 734	1 003 820
Sale of goods and services		-	-
Grants		38 685 598	42 021 408
Interest income from investing activities		241 230	156 198
Interest received from trading activities			-
		<u>42 562 563</u>	<u>43 181 427</u>
<b>Payments</b>			
Employee costs		(19 909 476)	(17 367 768)
Suppliers		(6 507 186)	(6 490 622)
Finance costs		(502 546)	(491 105)
Other payments			-
		<u>(26 919 209)</u>	<u>(24 349 495)</u>
<b>Net cash flows from operating activities</b>	33	<u><b>15 643 354</b></u>	<u><b>18 831 932</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(14 790 368)	(24 029 658)
Proceeds from sale of property, plant and equipment	4	-	3 476 994
Purchase from other intangible assets	5	-	113 316
		<u>(14 790 368)</u>	<u>(20 439 348)</u>
<b>Net cash flows from investing activities</b>		<u><b>(14 790 368)</b></u>	<u><b>(20 439 348)</b></u>
<b>Cash flows from financing activities</b>			
Finance lease written off/New finance leases			401 964
Transfer to payables from exchange transactions			
Finance lease payments		(872 710)	
		<u>(872 710)</u>	<u>401 964</u>
<b>Net cash flows from financing activities</b>		<u><b>(872 710)</b></u>	<u><b>401 964</b></u>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		<b>(19 724)</b>	<b>(1 205 452)</b>
Cash and cash equivalents at beginning of year		435 378	1 640 830
<b>Cash and cash equivalents at end of the year</b>	11	<u><b>415 655</b></u>	<u><b>435 378</b></u>
		415 653	435 377

# !Kheis Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue by source</b>						
Property rates	3 354 420	500 000	<b>3 854 420</b>	3 876 125	<b>21 705</b>	Implementation of new valuation roll
Service charges	8 457 359	614 796	<b>9 072 155</b>	9 089 139	<b>16 984</b>	Informal settlements developed into formal settlements (new accounts)
Investment revenue	43 940	32 053	<b>75 993</b>	241 230	<b>165 237</b>	Improved spending on grants resulted in lower interest income
Transfers recognised - operational	24 119 120	588 880	<b>24 708 000</b>	20 513 768	<b>-4 194 232</b>	Budget incorrect - Cost of free basic services now disclosed as income for gone
Other own revenue	2 597 569	1 143 128	<b>3 740 697</b>	2 068 647	<b>-1 672 050</b>	Donation receive from Developers
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>38 572 409</b>	<b>2 878 856</b>	<b>41 451 265</b>	<b>35 788 910</b>	<b>-5 662 355</b>	-
<b>Expenditure by type</b>						
Employee costs	-19 433 617	2 792 006	<b>-16 641 610</b>	-17 562 054	<b>-920 444</b>	Illegal strikresulted in no pay and dismissals. New appointments on lower scales
Remuneration of councillors	-2 305 412	-10 380	<b>-2 315 792</b>	-2 347 422	<b>-31 630</b>	Budget according to expectation for upper limits
Debt impairment	-5 221 560	-3 000 000	<b>-8 221 560</b>	-5 534 854	<b>2 686 706</b>	Council embarked on a process of debtors cleansing, hence the large impairment
Depreciation and asset impairment	-5 136 000	-5 765 525	<b>-10 901 525</b>	-8 083 158	<b>2 818 367</b>	Incorrect budget - not including new additions
Finance charges	-615 905	77 000	<b>-538 905</b>	-502 546	<b>36 359</b>	New Nashua Leases
Materials and bulk purchases	-953 223	-215 000	<b>-1 168 223</b>	-888 575	<b>279 648</b>	Budget incorrect - Cost of free basic services now disclosed as income for gone
Transfers and grants	-2 019 103	-722 910	<b>-2 742 013</b>	-2 294 877	<b>447 136</b>	Due to difference in allocation UDS toilets disclosed as operating expenditure and not capital
Other expenditure	-19 792 780	627 259	<b>-19 165 521</b>	-9 320 247	<b>9 845 274</b>	Budget figure includes debt impairment
<b>Total expenditure</b>	<b>-55 477 599</b>	<b>-6 217 550</b>	<b>-61 695 149</b>	<b>-46 533 734</b>	<b>15 161 416</b>	
<b>Surplus/(Deficit)</b>	<b>-16 905 191</b>	<b>-3 338 694</b>	<b>-20 243 884</b>	<b>-10 744 824</b>	<b>9 499 060</b>	

**Statement of Comparison of Budget and Actual Amounts**

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Transfers recognised - capital	16 905 000	365 000	17 270 000	18 171 830	901 830	Additional MIG allocation of R5mill
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>-191</b>	<b>-2 973 694</b>	<b>-2 973 884</b>	<b>7 427 006</b>	<b>10 400 890</b>	
<b>Surplus/(Deficit) for the year</b>	<b>-191</b>	<b>-2 973 694</b>	<b>-2 973 884</b>	<b>7 427 006</b>	<b>10 400 890</b>	
<b>Reconciliation</b>						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Cash	#REF!	#REF!	#REF!	1 106 774	#REF!	VAT refunds not received at year end
Consumer debtors	27 880 445	-	27 880 445	12 683 728	-15 196 717	Impairment and VAT disclosure
Other debtors	#REF!	#REF!	#REF!	169 318	#REF!	Property rates disclosed as non-exchange transactions
Current portion of long-term receivables	#REF!	#REF!	#REF!	-	#REF!	Stock take at year end previously expensed
Inventory	#REF!	#REF!	#REF!	106 512	#REF!	
	#REF!	#REF!	#REF!	14 066 331	#REF!	
<b>Non-Current Assets</b>						
Property, Plant and Equipment	146 598 860	-	146 598 860	156 901 585	10 302 725	Prior year adjustments updated FAR
Intangible	#REF!	#REF!	#REF!	-	#REF!	
	#REF!	#REF!	#REF!	156 901 585	#REF!	
<b>Total Assets</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>170 967 916</b>	<b>#REF!</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Bank overdraft	#REF!	#REF!	#REF!	-	#REF!	
Borrowing	521 000	-	521 000	-	-521 000	Short term portion of borrowings
Consumer deposits	#REF!	#REF!	#REF!	78 432	#REF!	Incorrect budget
Trade and other payables	8 174 143	-	8 174 143	13 456 642	5 282 499	VAT payable on payment basis now disclosed
Provisions	#REF!	#REF!	#REF!	3 735 806	#REF!	

Other current liabilities

4 049 352

**4 049 352**

Short term portion of borrowings - Nashua leases

#REF!	#REF!	#REF!	21 320 231	#REF!
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Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Non-Current Liabilities</b>						
Borrowing	-	-	-	1 913 845	<b>1 913 845</b>	Nashua leases
	-	-	-	<b>1 913 845</b>	<b>1 913 845</b>	
<b>Total Liabilities</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>23 234 076</b>	<b>#REF!</b>	
<b>Nett Assets</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>147 733 840</b>	<b>#REF!</b>	
<b>Community wealth/equity</b>						
Accumulated Surplus/(deficit)	166 444 162	-	166 444 162	147 733 841	<b>-18 710 321</b>	Prior year adjustments updated FAR
<b>Total community wealth/equity</b>	<b>166 444 162</b>	<b>-</b>	<b>166 444 162</b>	<b>147 733 841</b>	<b>-18 710 321</b>	

# !Kheis Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2016</b>											
<b>Financial Performance</b>											
Property rates	3 354 420	500 000	3 854 420	-		3 854 420	3 876 125		-21 705	101%	116%
Service charges	8 457 359	614 796	9 072 155	-		9 072 155	9 089 139		-16 984	100%	107%
Investment revenue	43 940	32 053	75 993	-		75 993	241 230		-165 237	317%	549%
Transfers recognised - operational	24 119 120	588 880	24 708 000	-		24 708 000	20 513 768		4 194 232	83%	85%
Other own revenue	2 597 569	1 143 128	3 740 697	-		3 740 697	2 068 647		1 672 050	55%	80%
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>38 572 409</b>	<b>2 878 856</b>	<b>41 451 265</b>	<b>-</b>		<b>41 451 265</b>	<b>35 788 910</b>		<b>5 662 355</b>	<b>86%</b>	<b>93%</b>
Employee costs	-19 433 617	2 792 006	-16 641 610	-	-	-16 641 610	-17 562 054	-	920 444	106%	90%
Remuneration of councillors	-2 305 412	-10 380	-2 315 792	-	-	-2 315 792	-2 347 422	-	31 630	101%	102%
Debt impairment	-5 221 560	-3 000 000	-8 221 560	-	-	-8 221 560	-5 534 854	-	-2 686 706	67%	106%
Depreciation and asset impairment	-5 136 000	-5 765 525	-10 901 525	-	-	-10 901 525	-8 083 158	-	-2 818 367	74%	157%
Finance charges	-615 905	77 000	-538 905	-	-	-538 905	-502 546	-	-36 359	93%	82%
Materials and bulk purchases	-953 223	-215 000	-1 168 223	-	-	-1 168 223	-888 575	-	-279 648	76%	93%
Transfers and grants	-2 019 103	-722 910	-2 742 013	-	-	-2 742 013	-2 294 877	-	-447 136	84%	114%
Other expenditure	-19 792 780	627 259	-19 165 521	-	-	-19 165 521	-9 320 247	-	-9 845 274	49%	47%
<b>Total expenditure</b>	<b>-55 477 599</b>	<b>-6 217 550</b>	<b>-61 695 149</b>	<b>-</b>	<b>-</b>	<b>-61 695 149</b>	<b>-46 533 734</b>	<b>-</b>	<b>-15 161 416</b>	<b>75%</b>	<b>84%</b>
<b>Surplus/(Deficit)</b>	<b>-16 905 191</b>	<b>-3 338 694</b>	<b>-20 243 884</b>	<b>-</b>	<b>-</b>	<b>-20 243 884</b>	<b>-10 744 824</b>	<b>-</b>	<b>-9 499 060</b>	<b>162%</b>	<b>177%</b>

# !Kheis Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	16 905 000	365 000	17 270 000	-		17 270 000	18 171 830		-901 830	105%	107%
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>-191</b>	<b>-2 973 694</b>	<b>-2 973 884</b>	<b>-</b>		<b>-2 973 884</b>	<b>7 427 006</b>		<b>-10 400 890</b>	<b>267%</b>	<b>284%</b>
<b>Surplus/(Deficit) for the year</b>	<b>-191</b>	<b>-2 973 694</b>	<b>-2 973 884</b>	<b>-</b>		<b>-2 973 884</b>	<b>7 427 006</b>		<b>-10 400 890</b>	<b>267%</b>	<b>284%</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	-	-	-	-		-	-		-	0%	0%
<b>Cash flows</b>											
Net cash from (used) operating	-6 303 853	-	-6 303 853	-		-6 303 853	15 643 354		-21 947 207	-248%	-248%
Net cash from (used) investing	16 905 000	-	16 905 000	-		16 905 000	-14 790 368		31 695 368	-87%	-87%
Net cash from (used) financing	-	-	-	-		-	-872 710		872 710	#DIV/0!	#DIV/0!
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>10 601 147</b>	<b>-</b>	<b>10 601 147</b>	<b>-</b>		<b>10 601 147</b>	<b>-19 724</b>		<b>10 620 871</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>
Cash and cash equivalents at the beginning of the year	-1 097 000	-	-1 097 000	-		-1 097 000	435 378		-1 532 378	-40%	-40%
<b>Cash and cash equivalents at year end</b>	<b>9 504 147</b>	<b>-</b>	<b>9 504 147</b>	<b>-</b>		<b>9 504 147</b>	<b>415 653</b>		<b>9 088 494</b>	<b>4%</b>	<b>4%</b>



## **1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

### **1.1 Changes in Accounting Policy and Comparability**

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2014 and 30 June 2015 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

### **1.2 Significant judgements and sources of estimation uncertainty**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statement. Significant judgement include:

#### **1.2.1 Trade receivables / Held to maturity investments and/or loans and receivables**

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

#### **1.2.2 Allowance for slow moving, damaged and obsolete stock**

An allowance is made for slow-moving, damaged and obsolete inventory to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance.

## **1.2 Significant judgements and sources of estimation uncertainty (Continued)**

### **1.2.3 Fair value estimation**

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

### **1.2.4 Provisions and contingent liabilities**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

### **1.2.5 Useful lives of property, plant and equipment and intangible assets**

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

### **1.2.6 Allowance for doubtful debts**

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### **1.2.7 GRAP 24: Presentation of Budget information**

The municipality is required to present a comparison of the budget amounts for which it is held publicly accountable. The comparison of budget and actual amounts present separately for each level of legislative oversight:

- the approved and final budget
- the adjustment budget
- the actual amounts on a comparative basis

### **1.2.8 Revenue Recognition**

Accounting Policy 11.2 on *Revenue from Exchange Transactions* and Accounting Policy 11.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

## **1.2 Significant judgements and sources of estimation uncertainty (Continued)**

### **1.2.9 Financial Assets and Liabilities**

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on *Financial Assets Classification* and Accounting Policy 8.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

#### **1.2.10 Impairment of Financial Assets**

Accounting Policy 8.4 on *Impairment of Financial Assets* describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (*Financial Instruments*) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- **Impairment of Trade Receivables:**

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

#### **1.2.11 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property**

As described in Accounting Policies 3.3, 4.2 and 5.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

#### **1.2.12 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories**

Accounting Policy 7 on *Impairment of Assets*, Accounting Policy 4.2 on *Intangible Assets – Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 9.2 on *Inventory – Subsequent Measurement* describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

## **1.2 Significant judgements and sources of estimation uncertainty (Continued)**

### **1.2.13 Water Inventory**

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Accounting Policy 9.2.2.

### **1.2.14 Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

## **1.3 Presentation Currency**

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

## **1.4 Going Concern Assumption**

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

## **1.5 Offsetting**

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

## **1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective**

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 20 Related Party Disclosures (Revised)
- GRAP 32 Service Concession Arrangement Grantor
- GRAP 105 Transfers between Entities under common control - issued November 2010
- GRAP 106 Transfers between Entities not under common control - issued November 2010
- GRAP 107 Mergers - issued November 2010
- GRAP 108 Statutory Receivables

The Minister of Finance announced that the application of GRAP 25 will be effective for the period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors*.

**1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective (continued)**

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- GRAP 20 Related Party Disclosures (Revised)

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

**2. Property, plant and equipment**

**2.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

## **2. Property, plant and equipment (continued)**

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

### **2.2 Subsequent Measurement**

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

### **2.3 Depreciation**

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

The useful lives of items of property, plant and equipment have been assessed as follows:

#### **Buildings**

- Buildings	25-30 Years
- Improvements	25-30 Years
- Recreational Facilities	20-30 Years

#### **Infrastructure**

- Roads and paving	30 Years
- Pedestrian malls	15-30 years
- Electricity	20-30 years
- Water resevoirs	15-20 years
- Sewerage pump stations	15-20 years
- Housing	25-30 years

**2.3 Depreciation (Continued)****Other property, plant and equipment**

- Specialist vehicles	5-10 years
- Other vehicles	4-7 years
- Office equipment	3-7 years
- Furniture and Fittings	7-10 years
- Bins and containers	5 years
- Specialized plant and equipment	10-15 years
- Other plant and equipment	2-5 years
- Landfill sites	15 years
- Lease hold property	3-5 years
- Security	3-5 years

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

**2.4 Land**

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

**2.5 Infrastructure Assets**

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

**2.6 Incomplete Construction Work**

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is

**2.7 Leased Assets**

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease

**2.8 Derecognition**

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

### **3. Intangible assets**

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

<b>Item</b>	<b>Useful life</b>
Computer software, other	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.



#### **4. Financial Instruments Classification**

The municipality classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

##### **Initial recognition and measurement**

Financial instruments are recognised initially when the municipality becomes a party to the contractual

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

##### **Subsequent measurement**

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Consumer deposits are subsequently recorded in accordance with the accounting policy of trade and other payable.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

##### **Fair value determination**

Fair value information for trade and other receivables is determined as the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The fair values of quoted investment are based on current bid prices

If the market for a financial asset is not active ( and for unlisted securities ) , municipality established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs.

#### **4. Financial Instruments Classification (continued)**

##### **The Effective Interest Rate Method**

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

##### **Amortised Cost**

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

##### **4.1 Impairment of financial assets**

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.

**4. Financial Instruments Classification (continued)****4.1 Impairment of financial assets (Continued)**

- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
  - (i) Derivatives;
  - (ii) Combined instruments that are designated at fair value;
  - (iii) Instruments held for trading;
  - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are
  - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised
- **Financial Assets measured at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

<b>Type of Financial Asset</b>	<b>Classification in terms of GRAP 104</b>
Non-current Investments	Financial Assets at Amortised Cost
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Non-current Investments	Financial Assets at Amortised Cost
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.

**4.2 Financial Liabilities – Classification**

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

**4. Financial Instruments Classification (continued)****4.2 Financial Liabilities – Classification (Continued)**

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Bank Overdraft	Financial Liabilities at Amortised Cost
Short-term Loans	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

**Financial Liabilities that are measured at Fair Value** are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank Overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

**4.3 Initial and Subsequent Measurement****4.3.1 Financial Assets:****Financial Assets measured at Amortised Cost**

*Financial Assets at Amortised Cost* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

*Trade and Other Receivables* (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

**Financial Assets measured at Fair Value**

*Financial Assets at Fair Value* are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

**4.3.2 Financial Liabilities:****Financial Liabilities measured at Fair Value**

*Financial Liabilities at Fair Value* are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

**Financial Liabilities held at Amortised Cost**

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

#### **4. Financial Instruments Classification (continued)**

##### **4.3.2 Financial Liabilities: (Continued)**

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

##### **4.3.3 Receivables from exchange transactions**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncorrectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

##### **4.3.4 Payables from exchange transactions**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

##### **4.3.5 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

##### **4.3.6 Bank overdraft and borrowings**

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

##### **4.3.7 Derivatives**

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

#### **4. Financial Instruments Classification (continued)**

##### **4.3.7 Derivatives (Continued)**

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

##### **4.3.8 Held to maturity**

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

##### **4.3.9 Gains and losses**

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

A gain or loss on an available - for - sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until financial assets is derecognised, at time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in

- surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process

##### **4.3.10 Impairment of financial assets**

The municipality assesses at each statement of financial position date whether a financial asset or group of

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

## **5. Leases**

### **5.1 Classification**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

### **5.2 The Municipality as Lessee**

#### **5.2.1 Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

#### **5.2.2 Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

#### **5.2.2 Operating leases - lessor (continued)**

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

### **5.3 The Municipality Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

## **5. Leases (Continued)**

### **5.4 *Determining whether an Arrangement contains a Lease***

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset. At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the municipality's incremental borrowing rate.

## **6. Inventories**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.



## **7. Impairment of cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Useful life is either:

(a) the period of time over which an asset is expected to be used by the municipality; or

### **7.1 Identification**

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

### **7.2 Value in use**

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

### **7.3 Discount rate**

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

### **7.4 Recognition and measurement (individual asset)**

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

## **7. Impairment of cash-generating assets (Continued)**

### **7.5 Cash-generating units**

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets,

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

## **7. Impairment of cash-generating assets (continued)**

### **7.6 Reversal of impairment loss (Continued)**

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### **7.7 Redesignation**

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### **7.8 Impairment of non-cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return.

When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Useful life is either:

- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

### **7.9 Identification**

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

## **7. Impairment of cash-generating assets (continued)**

### **7.9 Identification (Continued)**

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

### **7.10 Value in use**

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

### **7.11 Depreciated replacement cost approach**

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

### **7.12 Restoration cost approach**

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

### **7.13 Service units approach**

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

### **7.14 Recognition and measurement**

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

## **7. Impairment of cash-generating assets (continued)**

### **7.14 Recognition and measurement (Continued)**

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### **7.15 Reversal of an impairment loss**

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### **7.18 Redesignation**

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

## **8. Employee benefits**

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

## **8. Employee benefits (Continued)**

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide postemployment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

### **8.1 Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

## **8. Employee benefits (continued)**

### **8.1 Short-term employee benefits (continued)**

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

### **8.2 Long Service Awards**

Where the entity pay insurance premiums to fund a post-employment benefit plan, the entity treats such a plan as a defined contribution plan unless the entity will have (either directly or indirectly through the plan) a legal or constructive obligation to either:

- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the entity retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

### **8.3 Provisions and contingencies**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

**8. Employee benefits (continued)**

**8.3 Provisions and contingencies (continued)**

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.



## **8. Employee benefits (continued)**

### **8.3 Provisions and contingencies (continued)**

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date.

Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

## **9. REVENUE RECOGNITION**

### **9.1 General**

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

*Revenue from Exchange Transactions* refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

*Revenue from Non-exchange Transactions* refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

### **9.2 Revenue from exchange transactions**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Revenue consists primarily of grants of National- and Provincial Government, service charges, rentals, interest received and other service rendered

## **9. REVENUE RECOGNITION (Continued)**

### **9.2 Revenue from exchange transactions (Continued)**

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1

#### **9.2.1 Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### **9.2.2 Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **9.2.3 Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Rendering of services consist out of solid waste, sanitation, sewerage and water.

## **9. REVENUE RECOGNITION (Continued)**

### **9.2.4 Interest**

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

### **9.2.5 Service Charges**

Service Charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the number of refuse collections on each property during the week.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

### **9.2.6 Rentals Received**

Revenue from the rental of facilities and equipment is recognised on a *Straight-line Basis* over the term of

### **9.2.7 Finance Income**

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on Trust Funds is allocated directly to the fund.
- Interest earned on unutilised Conditional Grants is allocated directly to the Creditor: Unutilised

### **9.2.8 Dividends**

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

## **9. REVENUE RECOGNITION (Continued)**

### **9.2.9 Royalties**

Royalties are recognised on an *Accrual Basis* in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a *Straight-line Basis* over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

### **9.2.10 Tariff Charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

### **9.2.11 Revenue from Agency Services**

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

### **9.2.12 Sale of Goods (including Houses)**

Revenue from the sale of goods is recognised when all the following conditions have been met:

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of
- (b) The municipality retains neither continuing managerial involvement to the degree usually
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

### **9.2.13 Investment income**

Investment income is recognised on a time-proportion basis using the effective interest method.

## **9.3 Revenue from Non-exchange Transactions**

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

### **9.3.1 Rates and Taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

## **9. REVENUE RECOGNITION (Continued)**

### **9.3.2 Fines**

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initial recognition.

### **9.3.3 Public Contributions**

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

### **9.3.4 Government Grants and Receipts**

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

## **9. REVENUE RECOGNITION (Continued)**

### **9.3.4 Government Grants and Receipts (Continued)**

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

## **10. Borrowing costs**

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

## **11. Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the

## **12. Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

## **13. Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

## **14. Irregular expenditure**

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

#### **14. Irregular expenditure (Continued)**

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **15. Use of estimates**

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

#### **16. Offsetting**

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

### **17. Housing development fund**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

### **18. Investments**

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

### **19. Segmental information**

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

### **20. Budget information**

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

### **20. Budget information (continued)**

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2013/07/01 to 2016/06/30.

The annual financial statements and the budget are not on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.



## **21. Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered to be at arms length and in the ordinary course of business are not disclosed in accordance with IPSA 20 Related Party Disclosure.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling, the activities of the entity, We regard all individuals from the level of Accounting Officer and Council members as well as managers and directors reporting directly to the municipal manager as key management per the definition of the financial reporting standard.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

## **22. Value added tax**

The municipality is registered with SARS for VAT on the payment basis, in accordance with Sec 15(2)(a) of the Value-Added tax Act No 89 of 1991.

## **23. Capital commitments**

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.

Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

## **24. Provisions**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

#### **24. Provisions (Continued)**

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

#### **10.2 Provision for Environmental Rehabilitation**

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

**!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2015

**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
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**2. Changes in accounting policy**

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2016 is as follows:

**Statement of financial position****Cash flow statement**

Management do not have sufficient records relating to interest capitalised on plant and equipment to enable retrospective expensing of borrowing cost. For this reason the change in accounting policy is applied prospectively.

**3. New standards and interpretations****3.1 Standards and interpretations effective and adopted in the current year**

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

<b>Standards/Interpretation:</b>	<b>Effective date:</b>	<b>Expected impact:</b>
	<b>Years beginning on or after</b>	

**3.1 Standards and interpretations issued but not yet effective**

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

<b>Standards/Interpretation:</b>	<b>Effective date:</b>	<b>Expected impact:</b>
	<b>Years beginning on or after</b>	

GRAP 18: Segment Reporting	01 April 2015
GRAP 105: Transfers of functions between entities under common control	01 April 2015
GRAP 106: Transfers of functions between entities not under common control	01 April 2015
GRAP 107: Mergers	01 April 2015
GRAP 20: Related parties	01 April 2016

IGRAP 11: Consolidation – Special purpose entities	01 April 2015
IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2015
GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2015
GRAP 7 (as revised 2010): Investments in Associates	01 April 2015
GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2015

**!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2015

**Notes to the Annual Financial Statements**

Figures in Rand

2016

2015

**3.1 Standards and interpretations issued but not yet effective (continued)****Standards/Interpretation:****Effective date:****Expected impact:****Years beginning on or  
after**GRAP32: Service Concession Arrangements:  
Grantor

01 April 2016

GRAP108: Statutory Receivables

01 April 2016

IGRAP17: Service Concession Arrangements  
where a Grantor Controls a Significant Residual  
Interest in an Asset

01 April 2016

DIRECTIVE 11: Changes in measurement bases

following the initial adoption of Standard of GRAP 01 April 2016

**2.3 Standards and interpretations not yet effective or relevant**

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 June 2015 or later periods but are not relevant to its operations:

**Standards/Interpretation:****Effective date:****Expected impact:****Years beginning on or  
after**

**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
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**4. Property, plant and equipment**

	2016			2015		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	57 544 582	-2 642 434	54 902 148	57 544 582	-2 270 074	55 274 508
Infrastructure	109 891 894	-53 218 411	56 673 483	109 891 894	-48 964 862	60 927 032
Community	11 769 546	-5 121 913	6 647 633	11 769 546	-4 463 195	7 306 351
Other property, plant and equipment	15 720 218	-12 969 154	2 751 064	15 708 582	-11 727 298	3 981 284
Lease hold assets	2 658 606	-1 554 097	1 104 509	5 861 419	-1 562 800	4 298 619
<b>Total</b>	<b>197 584 845</b>	<b>-75 506 008</b>	<b>122 078 837</b>	<b>200 776 023</b>	<b>-68 988 229</b>	<b>131 787 794</b>
<b>Work in progress</b>			34 822 748			20 048 360
<b>Total</b>			<b>156 901 585</b>			<b>151 836 154</b>

**Reconciliation of property, plant and equipment - 2016**

	Opening balance	Additions	Disposals	Disposals - Depreciation	Depreciation	Total
Buildings	55 274 508	-	-	-	-372 360	54 902 148
Infrastructure	60 927 032	-	-	-	-4 253 549	56 673 483
Community	7 306 351	-	-	-	-658 718	6 647 633
Other property, plant and equipment	3 981 284	15 980	-	-4 344	-1 241 855	2 751 064
Other lease assets	2 661 185	-	-	-	-1 556 676	1 104 509
Work in progress	20 048 360	14 774 388				34 822 748
	<b>150 198 720</b>	<b>14 790 368</b>	<b>-</b>	<b>-4 344</b>	<b>-8 083 158</b>	<b>156 901 586</b>

**Reconciliation of property, plant and equipment - 2015**

	Opening balance	Additions	Disposals	Other changes - movements	Depreciation	Total
Buildings	56 651 051	-	-	-	-324 169	57 544 582
Infrastructure	53 725 619	16 850 435	-	-	-7 876 171	109 891 894
Community	8 121 895	-	-	-	-786 601	11 769 546
Other property, plant and equipment	2 005 170	1 874 222	-50 040	-	-884 875	2 742 851
Other lease assets	2 798 680	3 956 345	-3 426 955	666 332	-1 600 857	2 393 545
Work in progress	18 699 704	1 348 657				20 048 360
	<b>142 002 118</b>	<b>24 029 658</b>	<b>-3 476 994</b>	<b>666 332</b>	<b>-11 472 673</b>	<b>204 390 779</b>

**!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements****Assets subject to finance lease (net carrying value)**

Other leased Assets	1 104 509	2 393 545
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**Reconciliation of Work-in-Progress 2014****5. Intangible assets****Reconciliation of intangible assets – 2016**

	2016			2015		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Licenses and franchises	-	-	-	-	-	-

**Reconciliation of Intangible assets - 2015**

	Opening balance	Additions	Disposal	Total
Licenses and franchises	-	-	-	-

**Reconciliation of Intangible assets - 2015**

	Opening balance	Additions	Depreciation	Total
Licenses and franchises	-	-	-	-

**6. Other financial assets****At amortised cost****Unlisted Investments**

First National Bank - Branch: Groblersshoop, Account number 711297993876	91 119	85 654
Interest rate: 6,38%, Investment term is 12 months		
First National Bank. Branch: Groblersshoop Account number 71197351979	600 000	600 000
Interest rate: 5,95%, Investment term is 6 months		

<b>691 119</b>	<b>685 654</b>
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**7. Inventories**

Inventories	83 806	98 623
Water	22 706	21 420
	<b>106 512</b>	<b>120 043</b>

As the municipality do not made use of a formal inventory system, and inventory are determined via a stock take at year end of all unused materials. Inventory are recorded through the adjustment journals set off against repairs and maintenance expenses.

**Inventory pledged as security**

No inventories have been pledged as collateral for liabilities of the municipality

**!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements****8. Receivables from non-exchange transactions**

Rates and other taxes	30 051	27 317
Property Rates	2 163 239	1 295 558
Housing Suspense Debtor	227 165	-
Various controls	-	-
Sundry Debtors	1 936 200	1 959 617
	<b>4 356 654</b>	<b>3 282 492</b>

**9. VAT receivable/ (payable)**

VAT receivable	169 318	2 092 176
VAT payable	-2 760 177	-4 920 841

The municipality is registered at SARS on the payments basis. Only once payment is received from debtors, VAT is paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

**10. Trade and other receivables from exchange transactions****Gross balances**

Water	9 325 693	12 856 348
Sewerage	5 547 240	6 859 243
Refuse	8 179 678	9 884 859
Other debtors	4 369 224	4 730 932
VAT debtors	2 760 177	4 920 841
	<b>30 182 012</b>	<b>39 252 222</b>

**Less: Allowance for impairment**

Water	-7 432 488	-10 800 874
Sewerage	-4 421 097	-5 762 586
Refuse	-6 519 125	-8 304 466
Other debtors	-3 482 230	-3 974 550
	<b>-21 854 939</b>	<b>-28 842 477</b>

**Net balance**

Water	1 893 205	2 055 474
Sewerage	1 126 143	1 096 656
Refuse	1 660 553	1 580 392
Other debtors	886 995	756 382
VAT debtors	2 760 177	4 920 841
	<b>8 327 073</b>	<b>10 409 746</b>
Less: Debtors with credit balances	-	<b>683 488</b>
<b>Net balance of trade and receivables from exchange transaction</b>	<b>8 327 073</b>	<b>9 726 258</b>

Age analysis as per services (segments) excluding debtors with credit balances.

**Rates**

Current (0 -30 days)	511 059	511 059
31 - 60 days	30 183	30 183
61 - 90 days	31 478	31 478
91 - 120 days	26 828	26 828
121 - 365 days	7 504 391	7 504 391
	<b>8 103 938</b>	<b>8 103 938</b>

**!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements****Water**

Current (0 -30 days)	362 415	362 415
31 - 60 days	195 179	195 179
61 - 90 days	301 072	301 072
91 - 120 days	306 595	306 595
121 - 365 days	13 420 087	13 420 087
> 365 days	-	-

<b>14 585 350</b>	<b>14 585 350</b>
-------------------	-------------------

**Sewerage**

Current (0 -30 days)	157 307	157 307
31 - 60 days	134 201	134 201
61 - 90 days	134 469	134 469
91 - 120 days	131 337	131 337
121 - 365 days	6 302 589	6 302 589
> 365 days	-	-

<b>6 859 903</b>	<b>6 859 903</b>
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**Refuse**

Current (0 -30 days)	213 302	213 302
31 - 60 days	200 602	200 602
61 - 90 days	200 747	200 747
91 - 120 days	197 019	197 019
121 - 365 days	9 074 208	9 074 208
> 365 days	-	-

<b>9 885 880</b>	<b>9 885 880</b>
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**Other (specify)**

Current (0 -30 days)	-1 509 936	-1 509 936
31 - 60 days	41 189	41 189
61 - 90 days	41 170	41 170
91 - 120 days	41 052	41 052
121 - 365 days	4 915 196	4 915 196

<b>3 528 671</b>	<b>3 528 671</b>
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**Summary of debtors by customer classification****Consumers**

Current (0 -30 days)	-	-
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	-
121 - 365 days	-	-

<b>-</b>	<b>-</b>
----------	----------

**Industrial/Commercial**

Current (0 -30 days)	-	-
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	-
121 - 365 days	-	-

<b>-</b>	<b>-</b>
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**!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements****National and provincial government**

Current (0 -30 days)	-	-
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	-
121 - 365 days	-	-
	<hr/>	<hr/>

**Total**

Current (0 -30 days)	-	-
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	-
121 - 365 days	-	-
	<hr/>	<hr/>

Less: Allowance for impairment	-30 347 546	-28 842 477
	<hr/>	<hr/>
	<b>-30 347 546</b>	<b>-28 842 477</b>

**Reconciliation of allowance for impairment**

Balance at beginning of the year	-35 650 228	-35 650 228
Contributions to allowance	5 302 683	
Less Bad debts written-off		
	<hr/>	<hr/>
	<b>-30 347 546</b>	<b>-35 650 228</b>

## **!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

### **Notes to the Annual Financial Statements**

#### **Receivables from Non-Exchange transactions**

Other debtors include outstanding debtors for various other services, e.g. rentals, sundry, etc.

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

#### **Consumer debtors pledged as security**

None of the consumer debtors were pledged as security for any financial liability.

#### **Interest on consumer accounts**

No interest were charged/levied on arrear consumer (debtors) accounts.

#### **Consumer debtors impaired**

As of 30 June 2016, consumer debtors of R36 166 625 - (2015: R36 166 625) were impaired and provided for. In determining the recoverability of a consumer debtor, the municipality consider any change in the credit quality of the trade receivable from the date credit was granted up to the end of the reporting period.

### **11. Cash and cash equivalents**

Cash and cash equivalents consist of:

Cash on hand	1 526	2 564
Bank balances	235 665	319 011
Short-term deposits	178 464	113 802
	<b>415 655</b>	<b>435 377</b>

#### **Credit quality of cash at bank and short term deposits, excluding cash on hand**

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings, if available:

**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements****The municipality had the following bank accounts**

Account number / description	Bank statement balances			Cash book balances		
	30-Jun-16	30-Jun-15	30-Jun-14	30-Jun-16	30-Jun-15	30-Jun-14
First National Bank Branch: Groblershoop Account number: 62150559486	318 803	318 803	53 725	321 893	321 893	1 206 457
First National Bank: Branch: Groblershoop Account number 62150559486 - FMG/MSIG	623	23 343	10 338			
First National Bank. Branch: Groblershoop Account number 62304431828 - Library Account	767	17 256	10 834			
First National Bank. Branch: Groblershoop Account number 62304432123 - LOTTO account	85 427	10 637	135 591			
First National Bank. Branch: Groblershoop Account number 62102417567 - MIG Account	89 716	21 063	1 402 539			
First National Bank. Branch: Groblershoop Account number 71129793876 - BUSS Eff	91 119	85 654	80 836	799 457	799 457	1 113 330
First National Bank. Branch: Groblershoop Account number 62364746986 - Pula Nala	992	10 268	10 176			
First National Bank. Branch: Groblershoop Account number 62364746580 - EPWP Account	938	31 235	15 748			
First National Bank. Branch: Groblershoop Account number 71197351979 - Fixed Deposit	600 000	600 000	600 000			
<b>Total</b>	<b>1 188 386</b>	<b>1 118 259</b>	<b>2 319 787</b>	<b>1 121 350</b>	<b>1 121 350</b>	<b>2 319 787</b>

**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements****12. Finance lease obligation****Minimum lease payments due**

- within one year	1 000 148	776 050
- in second to fifth year inclusive	1 913 845	1 849 368
	<u>2 913 992</u>	<u>2 625 418</u>
less: future finance charges	-265 060	-128 338
<b>Present value of minimum lease payments</b>	<b><u>2 648 932</u></b>	<b><u>2 497 080</u></b>

**Present value of minimum lease payments due**

- within one year	1 000 148	1 405 022
- in second to fifth year inclusive	1 913 845	1 849 368
	<u>2 913 992</u>	<u>3 254 390</u>
Less: Amount re allocated for short term portion	<u>1 000 148</u>	<u>1 405 022</u>

It is municipality policy to lease certain equipment under finance leases.

The municipality enters into a new lease agreement on 28 August 2014 of this financial year. The previous lease agreements has been cancelled. The average lease term was 5 years and the average effective borrowing rate was 13,95% (2014: 9%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

**13. Unspent conditional grants and receipts****Unspent conditional grants and receipts comprises of:**

Upgrading Boegoeberg Sportgrounds	289 028	-
MIG Grants	-	-
Library Grant	-	-
MSIG	-	-
	<u>289 028</u>	<u>-</u>

**Movement during the year**

Balance at the beginning of the year	2 138 358	575 563
Additions during the year	-	1 562 795
Income recognition during the year	-	-
	<u>2 138 358</u>	<u>2 138 358</u>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

The municipality has complied with all the conditions set by the transferring organs of state or the conditions set by the other institutions who made allocations to the municipality. The unspent portion of conditional allocations are disclosed as unspent conditional grants on the face value of the Statement of Financial Position of the municipality.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements****14. Provisions****Reconciliation of provisions – 2016**

	<b>Opening Balance</b>	<b>Additions</b>	<b>Total</b>
Environmental rehabilitation	2 719 299	819 142	3 538 441
Long Service Awards	147 330	50 035	197 365
	<b>2 866 629</b>	<b>869 177</b>	<b>3 735 806</b>

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002). This provision adjusted according to new calculation by Consulting Engineers.

The consultants find that the landfill sites are non-compliant according to Chapter 3 of National Environmental Management Act (Act 107 of 1998) and Chapter 4, Section 20 and Chapter 7, Section 67 (1) (a) of the National Environmental Management: Waste Act, (Act 59 of 2008).

Some of the landfill sites are at a capacity of 80%, based on the calculations, we can dump waste for at least two additional years.

Long service awards calculation are based on the Bargaining Councils Collective Agreement and only become applicable on completion of a predetermined cycle. In other words a ten year long service awards, only materialised once a person completed ten years of services.

**15. Payables from exchange transactions**

Bonus and leave accruals	1 900 278	1 457 603
Debtors with credit balances	749 267	515 495
DWAF Funds water	367 878	474 491
Payment received in advanced - Unallocated deposits	475 809	475 809
Retention creditors		
Suspense creditors	413 285	695 915
Trade payables	9 014 421	10 295 907
3rd Party payments	535 703	405 700
	<b>13 456 642</b>	<b>14 320 921</b>

**16. Current portion of borrowings**

DBSA loan - Short term portion	-	532 312
Nashua leases - Short term portion	1 000 148	1 405 022
	<b>1 000 148</b>	<b>1 937 335</b>

**17. Consumer deposits**

Water	78 432	69 387
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**18. Revenue**

Government grants & subsidies	38 685 598	42 021 408
Interest received - Consumer accounts	-	-
Interest received - investment	241 230	156 198
Licences and permits	314 560	162 238
Other income	273 825	391 800
Property rates	3 876 125	3 806 794
Recoveries	880 866	-
Rental of facilities and equipment	599 396	541 218
Sale of goods	-	70 802
Service charges	9 089 139	8 620 679
	<b>53 960 740</b>	<b>55 771 139</b>

**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements****The amount included in revenue arising from exchanges of goods or services****are as follows:**

Interest received - Consumer accounts	-	-
Interest received - investment	241 230	156 198
Licences and permits	314 560	162 238
Other income	273 825	391 800
Recoveries	880 866	-
Rental of facilities and equipment	599 396	541 218
Sale of goods	-	70 802
Service charges	9 089 139	8 620 679
	<b>11 399 017</b>	<b>9 942 937</b>

**The amount included in revenue arising from non-exchange transaction****are as follows:****Taxation revenue**

Property rates	3 876 125	3 806 794
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**Transfer revenue**

Government grants & subsidies	38 685 598	42 021 408
	<b>42 561 723</b>	<b>45 828 203</b>

**19. Property rates****Rates received**

Residential	3 876 125	1 512 590
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**Valuations**

Residential	94 160 000	94 160 000
Commercial	31 240 000	31 240 000
State	41 707 000	41 707 000
Municipal	287 434 000	287 434 000
Small holdings and farms	1 677 710 000	1 677 710 000
Public Worship	9 330 000	9 330 000
Other - Vacant land	3 162 000	3 162 000
	<b>2 144 743 000</b>	<b>2 144 743 000</b>

Property rates are levied on the value of land and improvements. Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being 30 June 2016

The new general valuation will be implemented on 01 July 2018

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties:	0.0088c/R (2015: 0.0083c/R)
Business Properties:	0.0109c/R (2015: 0.0103c/R)
Agricultural Properties:	0.0018c/R (2015: 0.0017c/R)
State Properties:	0.0021c/R (2015: 0.0103c/R)

The first R 15 000 (2015: R 15 000) of the valuation of all residential properties are exempted from the calculation of rates.

**!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements****20. Service charges**

Refuse removal	2 724 329	2 575 530
Sale of water	4 301 601	-
Sewerage and sanitation charges	2 061 406	-
	<b>9 087 336</b>	<b>2 575 530</b>

The amount disclosed above for revenue from service charges are in respect of services rendered which are billed to the customers on a monthly basis according to approved tariffs

**21. Government grants and subsidies****Operating grants and subsidies**

Equitable Share	19 697 000	-
Equitable Share - Income for gone	-2 644 350	-2 000 926
Finance Mangement Grant	2 805 000	2 734 000
Library Grant	656 119	-
Municipal System Improvement Grant	-	-
Expanded Public Works Programme (EPWP)	-	-
	<b>20 513 768</b>	<b>733 074</b>

**Capital grants**

Water Income - DWA	4 420 000	-
Lotto sportgronde	266 830	-
Expanded Public Works Programme (EPWP)	1 000 000.00	1 000 000
Municipal Infrastructure Grant (MIG)	12 485 000	10 834 000
Coghsta	-	8 202 126
	<b>18 171 830</b>	<b>20 036 126</b>
	<b>38 685 598</b>	<b>20 769 201</b>

**Conditional and Unconditional**

Included in above are the following grants and subsidies received:

Conditional grants received	20 513 768	733 074
Unconditional grants received	18 171 830	20 036 126
	<b>38 685 598</b>	<b>20 769 201</b>

**Equitable Share**

In terms of the Division of Revenue Act, the annual equitable share allocated to the municipality is an unconditional grant. A portion of this grant is used to subsidise the provision of basic services to indigent community members in line with national policy. In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of **R317,97** - (2015: R 299.97), which is funded from the grant.

**MIG Grant**

Balance unspent at beginning of year	-	2 006 634
Current-year receipts	12 485 000	10 834 000
Conditions met - transferred to revenue	-12 485 000	-12 840 634
	<b>-</b>	<b>-</b>

The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grant was used to construct roads infrastructure as part of the upgrading of informal settlement areas. The grant was also allocated for the readication of the bucket system by building UDS toilets for the community of !Kheis.

**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements****Department of Water Affairs**

Balance unspent at beginning of year	-	-
Current-year receipts	4 420 000	2 576 850
Conditions met - transferred to revenue	-4 420 000	-2 576 850
	<u>-</u>	<u>-</u>

The purpose of the grant is to fund internal infrastructure for water services at a basic level of service.

**Expanded Public Works Programme (EPWP)**

Balance unspent at beginning of year	-	-
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	-1 000 000	-1 000 000
	<u>-</u>	<u>-</u>

The grant is to utilised for salary expenses in regards to the expanded public works programme. The grant is in regards to the upgrading of the municipal offices. Grants received for the upgrading of the municipal offices and upgrading of internal streets.

**Upgrading Boegoeberg Sportgronde**

Balance unspent at beginning of year	131 724	365 715
Conditions met - transferred to revenue	-131 724	-233 991
	<u>-</u>	<u>131 724</u>

The grant was utilised for the upgrading of the Boegoeberg Sportgrounds

**Finance Management Grant**

Current-year receipts	2 805 000	1 800 000
Conditions met - transferred to revenue	-2 805 000	-1 800 000
	<u>-</u>	<u>-</u>

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

**Municipal Systems Improvement Grant (MSIG)**

Balance unspent at beginning of year	-	-
Current-year receipts	-	934 000
Conditions met - transferred to revenue	-	-934 000
	<u>-</u>	<u>-</u>

The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act, and related Legislation, policies and the local government turnaround strategy.



**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements****Library Grant**

Balance unspent at beginning of year	-	-
Current-year receipts	846 261	711 724
Conditions met - transferred to revenue	-656 119	-711 724
	<b>190 142</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 13).

The grant is to be utilised for the programme cost of the library and other costs as per the library proposal.

**COGHSTA**

Current-year receipts	-	8 202 126
Conditions met - transferred to revenue		-8 202 126
	<b>-</b>	<b>-</b>

The grant is to be utilised for the installation of new watermeters and the upgrading of water network and was funded by local government.

**Changes in level of government grants**

Based on the allocations set out in the Division of Revenue Act, (Act 5 of 2013), no significant changes in the level of government grant funding are expected over the forthcoming 2 financial years.

**22. Other revenue**

Debt impairment recovered	-	-
Other income - (rollup)	273 825	391 800
	<b>273 825</b>	<b>391 800</b>

**Other revenue (Continue)**

Building Plan fees	4 479	2 665
Cemetaries	-	-
Clearance Certificates	11 929	-
Commission received	-	-
Graves fees	2 005	-
Hawkers Licenses	1 025	-
Library fines	-	-
Miscellaneous Income	250 977	-
Refuse removal	223	517
Sale of soil	-	-
Tender documents	365	-
Transport	-	1 009
Valuation Certificates	2 513	-
	<b>273 515</b>	<b>4 191</b>

**!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements****23. General expenses**

Administrative Costs	476 768	-47 849
Advertising	145 463	52 588
Auditors remuneration	599 617	1 720 008
Bank charges	52 370	50 382
Chemicals	254 935	190 637
Cleaning	114 842	70 935
Computer expenses	220 884	272 446
Consulting and professional fees	1 600 721	2 558 196
Electricity	1 870 327	1 878 692
Entertainment	15 199	27 267
EPWP Incentive	-	1 029 682
Fuel and oil	358 735	411 387
Insurance	46 601	-
Daily Allowances	15 298	57 923
Other expenses	119 356	17 274
Postage and courier	2 175	30 015
Printing and stationery	150 324	67 322
Protective clothing	25 572	55 258
Provision for landfill site	-	-
Royalties and license fees	34 154	33 528
Salary and wages	941 248	47 682
Security	6 635	-2 974
Subsistence Allowances	183 061	139 676
Subscriptions and membership fees	523 000	-19 296
Telephone and fax	164 548	155 931
Training	9 990	-12 179
Travel - local	172 622	235 067
	<b>8 104 445</b>	<b>9 019 598</b>

**24. Employee related costs**

Basic	11 558 836	10 775 594
Bonus	1 748 765	825 645
Housing benefits and allowances	154 621	6 607
Leave payouts	-	-
Leave pay provision charge	485 243	449 193
Medical aid-company contributions	160 022	132 088
Overtime payments	9 305	19 690
Pensionfund Contributions	1 793 980	1 504 653
Skills Development Levies	141 602	127 160
Training Levies	9 422	11 867
Travel, motor car, accomodation, subsistence and other allowances	1 391 032	1 416 226
UIF	109 227	92 633
	<b>17 562 054</b>	<b>15 361 357</b>

**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements****Remuneration of Municipal Manager**

Annual Remuneration	588 523	535 706
Car Allowance	190 552	173 074
Cellphone Allowance	6 411	6 411
Contributions to UIF, Medical and Pension Funds	95 712	93 955
	<b>881 198</b>	<b>809 145</b>

**Remuneration of Chief Finance Officer**

Annual Remuneration	469 846	427 670
Car Allowance	152 126	138 170
Cellphone Allowance	6 411	6 411
Contributions to UIF, Medical and Pension Funds	46 266	75 007
	<b>674 648</b>	<b>647 259</b>

**Remuneration of Technical Director**

Annual Remuneration	469 846	427 670
Car Allowance	152 126	138 170
Cellphone Allowance	6 411	6 000
Contributions to UIF, Medical and Pension Funds	72 226	75 007
	<b>700 608</b>	<b>646 848</b>

**Corporate and Human Resources (Corporate Services)**

Annual Remuneration	469 846	427 670
Car Allowance	152 126	138 170
Cellphone Allowance	6 411	6 411
Contributions to UIF, Medical and Pension Funds	30 109	75 007
	<b>658 491</b>	<b>647 259</b>

**Remuneration of Community Service Director**

Annual Remuneration	469 846	427 670
Car Allowance	152 126	138 170
Cellphone Allowance	6 411	6 411
Contributions to UIF, Medical and Pension Funds	39 118	75 007
	<b>667 500</b>	<b>647 259</b>

**25. Remuneration of councillors**

Mayor	-	-
Councillors	1 737 969	1 461 761
Travelling Allowance	467 632	447 640
Cellphone and other allowance	141 821	97 009
	<b>2 347 422</b>	<b>2 006 410</b>

**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements****In-kind benefits**

The Mayor is full-time. He is provided with an office and secretarial support at the cost of the Council.

**26. Debt impairment**

Debt impairment	5 534 854	8 674 684
Bad debt to the amount of R 5 534 854 has been written off during the year under review.		

**27. Interest earned - External invest****Interest received from receivables**

Receivables	-	-
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**Interest revenue**

Bank	-241 230	-156 198
	<b>-241 230</b>	<b>-156 198</b>

**28. Depreciation and amortisation**

Property, plant and equipment	<b>8 083 158</b>	<b>11 472 677</b>
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**29. Finance costs**

Non-current borrowings	502 546	491 105
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**30. Auditors' remuneration**

Fees	599 617	1 720 008
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**31. Grants and subsidies paid****Other subsidies**

MSIG Expenditure	2 294 877	2 763 954
MIG Expenditure - UDS Toilets	-	1 145 917
	<b>2 294 877</b>	<b>3 909 871</b>

**32. Bulk purchases**

Water	888 575	942 521
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**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements****33. Cash generated from operations**

(Deficit) surplus	7 427 006	3 407 237
<b>Adjustments for:</b>		
Depreciation and amortisation	8 083 158	11 472 677
Loss on sale of non-current assets and disposal groups	-1 766	-66 710
Finance costs - Finance leases	-502 546	-491 105
Interest income		-
Interest earned - Investment	241 230	156 198
Debt impairment	5 534 854	8 674 684
Movements in operating lease assets and accruals		-
Movements in provisions	-	248 358
Other non-cash items	16 108	-666 332
<b>Changes in working capital:</b>		
Inventories	13 531	-91 656
Other receivables from non-exchange transactions	-1 074 163	-386 765
Consumer debtors	1 399 184	1 290 925
Investments	-5 465	-4 818
Payables from exchange transactions	-864 279	4 076 926
VAT Receivable	1 922 859	2 867 497
VAT Payable	-2 160 664	-891 142
Unspent conditional grants and receipts	289 028	-2 138 358
Consumer deposits	-9 044	-585
Current portion of borrowings		-
Provisions	-4 665 677	-8 625 100
	<b>15 643 354</b>	<b>18 831 931</b>

**34. Commitments****Authorised capital expenditure****Already contracted for but not provided for**

Commitment as at 30 June 2016	5 323 569	18 159 521
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This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

**35. Contingencies**

The municipality is currently operating four illegal landfill sites and are currently busy applying for funding to develop landfill sites with the necessary licensing in place. The possibility exists that Department of Environmental Water Affairs and Forestry may issue a penalty up to R 10 million per illegal site. This however is highly unlikely, because the Department is currently assisting the municipality in its application for funds.

**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements**

On 8 July 2013, 29 staff members embarked on a illegal strike for 3 months. The said officials had been dismissed following labour disciplinary procedures. This case is currently referred to the labour court and the outcome of this court is still awaited. The impact however, undetermined, may held serious financial implications for the municipality.

**36. Related parties**

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

**36.1 Interest of Related Parties**

Councillors and/or management of the municipality have relationship with businesses as indicated below:

<b>Name of Related Person</b>	<b>Designation</b>	<b>Relationship</b>	<b>Related Party</b>
Cllr P Vries	Mayor	Member of municipal council	None
Cllr K Esau	Councillor	Member of municipal council	None
Cllr S Esau	Councillor	Member of municipal council	None
Cllr E Cloete	Councillor	Member of municipal council	None
Cllr JPI Joseph	Councillor	Member of municipal council	None
Cllr AL Diergaardt	Councillor	Member of municipal council	None
Cllr W Maritz	Councillor	Member of municipal council	None
HT Scheepers	Municipal Manager	Member of key management	Director of Hita se Plek (Pty) Ltd
JD Block	Chief Financial Officer	Member of key management	Member of Shaya's Financial Services
D Dolopi	Technical Director	Member of key management	Member of Kizuka Holdings
ED De Klerk	Corporate Service Director	Member of key management	None
S Block	Employee of the municipality	Close family member of key management. Wife of the Chief financial Officer	
G Cloete	Employee of the municipality	Close family member of Member of Council. Husband of Councillor E Cloete.	
Ceryline Silo	Employee of the municipality	Close family member of Member of Council. Sister of Mayor	
R Esau	Employee of the municipality	Close family member of Member of Council. Son of Councillor K Esau	

**Related Person**

<b>Employee cost</b>	<b>2016</b>	<b>2015</b>
S Block	119 866.67	127 908.00
G Cloete	125 925.17	89 359.38
S Silo	89 467.05	84 524.23
R Esau	-	15 297.57
	<b>335 258.89</b>	<b>317 089.18</b>

**!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements****36.2 Service rendered to Related Parties.**

The municipality did not render any service other than the normal municipal billings (service charges, rates etc) on the approved tariff structure of the municipality to councillors and top management. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

**Related party transactions****Related Party**

Cllr W Maritz	2 446
Cllr A Diergaardt	2 905
Cllr P Vries	8 942
Cllr K Esau	3 444
Cllr E Cloete	3 750
Cllr JPI Joseph	3 444
Cllr S Esau	3 208
ED De Klerk	-
HT Scheepers	-
<b>Total</b>	<b>28 140</b>

**36.3 Loans granted to Related Parties**

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note to the Annual Financial Statements.

**36.4 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

**37. Going concern**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

**38. Events after the reporting date**

No events are known at time of submission of annual financial statement that may have a material impact on !Kheis Municipality's going concern.

**39. Prior period errors**

Property, Plant and Equipment disclosed in prior year financial statements did not agree with Fixed Asset Register which resulted in a understatement of Property, Plant and Equipment. Furthermore prior year debtors with zero chance of recovery were written off. During the year, SARS audit the VAT of the municipality for the previous years, and corrections has been made accordingly on the VAT Receivables.

The correction of the error(s) results in adjustments as follows:

**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements****Statement of financial position**

Decrease in Infrastructure Assets	1 268 186	-15 324 920
Decrease in Community Assets	-	-21 617 156
Increase in Land and Buildings Assets	1 052 374	22 824 712
Increase in Movable Assets	8 005 304	237 287
Decrease in Movable Assets	-	-8 022 970
Increase in Other Assets Depreciation	7 007 749	6 019 977
Increase in Infrastructure Assets Depreciation	504 664	-
Increase in Community Assets Depreciation	28 943	-
Increase in Work in Progress	-	18 699 704
Increase in Salary control debtors	-	40 399
Decrease in Debtors Thumelo Youth Farm	-	-73 130
Decrease in Debtors Sundry Debtors	-	-26 594
Decrease in Debtors SARS SDL	-	-249 979
Decrease in VAT Receivable	-	-234 561
Increase in Accumulated Surplus	<b>17 867 219</b>	<b>2 272 770</b>

**40. Comparative figures**

The reporting period is longer than a year, therefore comparative amounts are comparable to the current balances.

**41. Unauthorised expenditure**

Unauthorised expenditure	-	-
Unauthorised expenditure (2014/15)	3 661 591	6 648 739
Condoned (Prior Period Correction)	-	-
Condoned	-	-
	<b>3 661 591</b>	<b>6 648 739</b>

The unauthorised expenditure relates to Vehicle registration fees votes budget which were overspent.

**42. Fruitless and wasteful expenditure**

Opening balance	344 365	
Fruitless and wasteful expenditure - 2015/2016 (Interest on creditors)	34 377	28 447
Fruitless and wasteful expenditure - 2014/2015 (Auditors General Interest)	-	344 365
Fruitless and wasteful expenditure - 2013/2014 (SARS)	-	110 182
Fruitless and wasteful expenditure - 2012/2013 (SARS)	-	18 689
Condoned	-34 377	-157 317
	<b>344 365</b>	<b>344 365</b>

The amount of fruitless and wasteful expenditure for 2012/2013, 2013/2014, 2014/2015 and 2015/2016 consists of interest and understatement penalties levied by The South African Revenue Services during the recent VAT audits. The Council submitted ADR1 forms to apply for the write off of these penalties and interests. The amount for Auditor General could not be condoned by council, because payments are made by National Treasury.

**43. Irregular expenditure**

Opening balance	880 866	880 866
Add: Irregular Expenditure - current year	-	
The full extent of irregular expenditure could not be determined		
Less: Amounts condoned	-	-
	<b>880 866</b>	<b>880 866</b>



**!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements****Details of irregular expenditure - prior year**

Court case of the appointment of the Municipal Manager	Council made a decision according to the Court ruling stating that Councillors W Maritz, S Esau and AL Diergaardt are collectively and individually responsible for the costs incurred in the process of the appointment of Mr Ronnie van der Westhuizen. Maritz and the two other are responsible for the repayment of legal costs in amount of R 394 596,94 and adverting costs of R 23 000,00.	417 597
Salary increases	Increases of salaries and allowances without Council approval	463 270
		<b>880 867</b>

**44. Additional disclosure in terms of Municipal Finance Management Act****Contributions to organised local government (SALGA)**

Opening balance	656 500	656 500
Current year fee	418 500	418 500
Amount paid - current year	-418 500	-418 500
	<b>656 500</b>	<b>656 500</b>

**Audit fees**

Opening balance	3 384 549	2 464 617
Current year fee	-	1 146 191
Amount paid - current year	-599 617	-226 259
	<b>2 784 932</b>	<b>3 384 549</b>

**PAYE and UIF**

Current year fee	1 783 361	1 563 942
Amount paid - current year	-1 783 361	-1 563 942
	<b>-</b>	<b>-</b>

**Pension and Medical Aid Deductions**

Current year fee	2 766 297	2 322 040
Amount paid - current year	-2 766 297	-2 322 040
	<b>-</b>	<b>-</b>

**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements****VAT**

VAT Receivable	169 318	2 092 176
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VAT output payables and VAT input receivables are shown in note 9.

All VAT returns have been submitted by the due date throughout the year.

**Councillors' arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016

<b>30-Jun-16</b>	<b>Outstanding less than 90 days</b>	<b>Outstanding more than 90 days</b>	<b>Total</b>
Cllr JPI Joseph			-
Cllr E Cloete			-
Cllr S Esau			-
Cllr K Esau			-
Cllr W Maritz	222	642	864
	<b>222</b>	<b>642</b>	<b>864</b>

  

<b>30-Jun-15</b>	<b>Outstanding less than 90 days</b>	<b>Outstanding more than 90 days</b>	<b>Total</b>
Cllr W Maritz	222	642	864
Cllr P Vries			-
Cllr A Diergaardt			-
Cllr JPI Joseph			-
Cllr K Esau			-
	<b>222</b>	<b>642</b>	<b>864</b>

In calculation of debt impairment, Councilors were excluded.

<b>30-Jun-15</b>	<b>Highest outstanding amount</b>	<b>Aging (in days)</b>
Councillor P Vries	21 068	90
Councillor JPI Joseph	6 753	90
Councillor K Esau	5 129	90
Councillor AL Diergaardt	1 731	90
Councillor W Maritz	700	90
	<b>35381</b>	<b>450</b>

  

<b>30-Jun-14</b>	<b>Highest outstanding amount</b>	<b>Aging (in days)</b>
Councillor P Vries	21 068	90
Councillor JPI Joseph	6 753	90
Councillor K Esau	5 129	90
Councillor AL Diergaardt	1 731	90
Councillor W Maritz	700	90
	<b>35 381</b>	<b>450</b>

**!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements****Supply chain management regulations**

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

**45. Deviation from supply chain management regulations**

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Goods and Services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Reference nr	Supplier Name	Authorised	Amount	Reason
4264	Gemsbok	Yes	R 12 278.94	Sole Supplier
	Daniel Links		R 17 500.00	It refers to appointment letter from !Kheis Municipality to Mr D.Links of construction on the house and computer room in Topline.
4320		Yes		
	Electronic Engineering		R 7 298.30	Exceptional case where it is impractical or impossible to follow the official procurement processes.
4324		Yes		
4326	Oranje Nissan	Yes	R 21 107.43	Sole Supplier
				Goods or services are produced or available from a single provider only, Sole provider.
4368	CTM	Yes	R 4 197.30	
				The lowest quotation is not registered on the data base of the municipality.
4376	Builders Trade	Yes	R 7 302.00	
4346	Gemsbok	Yes	R 2 895.60	Sole Supplier
4412	Gemsbok	Yes	R 8 430.30	Sole Supplier
				Exceptional case where it is impractical or impossible to follow the official procurement processes.
4415	J.Koortzen	Yes	R 4 109.70	The Municipal decides to choose protea Hotel and it's not the lowest quotation.
4450	Protea Hotel	Yes	R 2 848.20	
				Only two suppliers sell electrification cables and clamp meter for the high mass lights for Grootdrink.
4456	Voltex	Yes	R 10 894.40	
				The Municipal decides to choose protea Hotel and it's not the lowest quotation.
4462	Protea Hotel	Yes	R 2 848.20	

**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements**

					The Municipal decides to choose the lowest price of Elektro Vlok and the supplier is not registered on the Municipal database.
4468	Elektro Vlok	Yes	R	42 955.20	
4473	Gemsbok	Yes	R	6 156.00	Sole Supplier
4488	Thabo Lester	Yes	R	6 950.00	Only one supplier respond on a quotation.
4493	J.Koortzen	Yes	R	28 219.85	Exceptional case where it is impractical or impossible to follow the official procurement processes.
4499	Trans Oranje Drukkers	Yes		R 3 827.84	Goods or services are produced and available from a single provider only.
4500	Trans Oranje Drukkers	Yes		8513.14	Goods or services are produced and available from a single provider only.
4560	Leadership Magazine	Yes	R	44 460.00	Sole Supplier
4565	Oranje Nissan	Yes	R	7 349.97	Sole Supplier
4516	Die Kalaharihuis	Yes	R	11 000.00	The Municipality decides to choose the lowest quotations and three quotations was obtain from the suppliers.
4528	Voltex	Yes	R	4 655.74	Only two suppliers can provide the Municipality with a quotation on electrical material.
4537	Andrag Agrico	Yes		R 13 639.08	Sole Supplier
4539	Bytes	Yes	R	112 832.18	Sole Supplier
4584	Oranje Nissan	Yes	R	4 218.00	Sole Supplier
4594	Gemsbok	Yes	R	3 792.10	Sole Supplier
4607	Gemsbok	Yes		R 2 895.60	Sole Supplier
4608	Trans Oranje Drukkers	Yes	R	8 641.90	Sole Supplier
4619	Koortzen Elektries	Yes	R	5 314.40	Emergency
4665	NC Pumps	Yes	R	9 534.96	Emergency
4698	Oranje Nissan	Yes	R	21 890.30	Emergency
4724	Electro Vlok	Yes	R	42 955.20	The Municipality decides to choose the lowest quotation of Electro Vlok and the supplier is not registered on
4727	Game store	Yes	R	4 730.00	Only two quotations had been receive from the suppliers.
4803	Thyron	Yes	R	8 814.15	Sole Supplier
4807	Trans Oranje Drukkers	Yes	R	6 247.36	Sole Supplier
4809	PA Stationers	Yes	R	5 300.00	Redira can not assist the Municipality with a quotation for the string bags in pink only in other colours.
4813	Macroplan	Yes	R	6 049.98	Sole Supplier
4816	Electronic Engineering CC	Yes	R	16 866.30	In an Emergency
08/12/2015	NC Pumps	Yes	R	18 466.86	The Municipality decides to choose the lowest quotqtion of NC Pumps, and the Supplier is not registered on the Municipal database.
4932	Tent Rent	Yes	R	5 428.00	Goods and services are produced and available from a single provider only.

**IKheis Local Municipality**

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**Notes to the Annual Financial Statements**

4906	Koortzen Elektries BK	Yes	R	18 445.20	In an emergency to repair the water pump at the water treatment plants.
4808	Electronic Engineering CC	Yes	R	15 065.10	In an emergency to repair the water pump at the water treatment plants.
4909	Alstop	Yes	R	2 004.00	They can deliver supplies in the desired time frame.
4971	Oranje Nissan	Yes	R	8 545.22	Sole Supplier
5003	Oranje Nissan	Yes	R	2 131.64	Sole Supplier
5027	Boleng Fire Services	Yes	R	3 880.32	Sole Supplier
5044	Lumber City	Yes	R	22 325.25	Exceptional case where it is impractical or impossible to follow the official procurement processes.
5045	Voltex	Yes	R	13 636.70	Exceptional case where it is impractical or impossible to follow the official procurement processes.
5046	Metra Clark	Yes	R	22 043.15	Exceptional case where it is impractical or impossible to follow the official procurement processes.
5047	Lesley Services	Yes	R	20 000.00	Exceptional case where it is impractical or impossible to follow the official procurement processes.
5053	PA Stationers	Yes	R	2 480.00	Only one supplier can deliver pencilbags for the library.
5057	Aandrag Agrico	Yes	R	7 438.50	The Municipality decides to choose the lowest quotation of Aandrag Agrico.
5060	Gemsbok	Yes	R	3 259.26	Sole Supplier
5067	Koortzen Elektries Bk	Yes	R	3 958.08	In an emergency
5071	URB	Yes	R	11 200.00	Only two suppliers sell the toners in colour for the specific printing machinery..
5153	Gemsbok	Yes	R	2 908.71	Sole Supplier
5161	Bytes	Yes	R	11 388.66	Sole Supplier
5167	Mollet Motors	Yes	R	2 947.66	In an emergency
5182	Lumber City	Yes	R	2 755.15	goods or services are produced and available from a single provider only.
5310	Lesley Service	Yes	R	22 080.00	Exceptional case where it is impractical or impossible to follow the official procurement processes.
5376	Intertekens	Yes	R	15 590.28	Only two suppliers respond for the supply of the T-shirts
5405	Oranje Nissan	Yes	R	8 410.46	Goods and services are produced and available from a single provider only.
5497	Gemsbok	Yes	R	2 520.88	Sole Supplier
5498	Gemsbok	Yes	R	2 197.69	Sole Supplier
5544	Koortzen Elektries BK	Yes	R	6 982.50	Exceptional case where it is impractical or impossible to follow the official procurement processes.
5540	Koortzen Elektries BK	Yes	R	3 727.80	Exceptional case where it is impractical or impossible to follow the official procurement processes.
5543	Koortzen Elektries BK	Yes	R	3 594.42	Exceptional case where it is impractical or impossible to follow the official procurement processes.

**!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements**

5546	Kaap Agri Bedryfs Beperk	Yes	R 20 027.21	Only two quotations had been receive from the suppliers.
5575	Oranje Nissan	Yes	R 9 435.30	Sole Supplier
5618	Koortzen Elektries BK	Yes	R 6 862.80	In an emergency
5576	Oranje Nissan	Yes	R 3 693.26	Sole Supplier
5627	Electronic Engineering	Yes	R 5 962.00	In an emergency
5630	Thyron Besigheidsvorm	Yes	R 17 700.81	Sole Supplier
			<b>868 612.49</b>	

**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements****46. Going Concern Assessment**

Management considered the following matters relating to the Going Concern:

On 31 May 2014 the Council adopted the 2013/2014 to 2015/16 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

The municipality is not able to settle supplier accounts within 30 days of receipt of the invoice and 30% of trade payables are outstanding for periods exceeding 30 days;

The municipality is based in a remote area in the Northern Cape Province with little economic activity and many community members are classified as indigent consumers of the municipality. As a result the municipality struggles to collect revenue and this result in significant cash flow problems, which cast significant doubt on the municipality's ability to continue as a going concern. The municipality is dependent on national and provincial grants for its continued existence.

Taking the aforementioned into account, management has prepared the Annual financial Statements on the Going - Concern basis.

		2016	2015
<b>47. Financial Instruments</b>			
In accordance with GRAP 104.45 the financial liabilities and assets of the municipality are classified as follows:			
<b>Financial Assets</b>	<b>Classification</b>	2016	2015
<b>Investments</b>			
Unlisted Investments	Financial Instruments at fair value	-	-
FNB	Financial Instruments at cost	91 119	85 654
Fixed Deposits - FNB	Financial Instruments at amortised cost	600 000	600 000
<b>Receivables from Exchange Transactions</b>			
Water	Financial Instruments at amortised cost	9 325 693	12 856 348
Sewerage	Financial Instruments at amortised cost	5 547 240	6 859 243
Refuse	Financial Instruments at amortised cost	8 179 678	9 884 859
Other debtors	Financial Instruments at amortised cost	4 369 224	4 730 932
VAT debtors	Financial Instruments at amortised cost	2 760 177	4 920 841
<b>Receivables from Non-Exchange Transactions</b>			
Various controls	Financial Instruments at amortised cost	-	-
Sundry Debtors	Financial Instruments at amortised cost	1 936 200	1 959 617
<b>Cash and Cash Equivalents</b>			
Bank Balances	Financial Instruments at amortised cost	235 665	319 011
Call Deposits	Financial Instruments at amortised cost	178 464	113 802
<b>Total Financial Assets</b>		<b>33 223 460</b>	<b>42 330 307</b>
		<b>2016</b>	<b>2015</b>
<b>SUMMARY OF FINANCIAL ASSETS</b>			
<b>Financial Instruments at amortised cost:</b>			

**!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements**

Investments	FNB	91 119	85 654
Investments	Fixed Deposits - FNB	600 000	600 000
Receivables from Exchange Trans Water		9 325 693	12 856 348
Receivables from Exchange Trans Sewerage		5 547 240	6 859 243
Receivables from Exchange Trans Refuse		8 179 678	9 884 859
Receivables from Exchange Trans Other debtors		4 369 224	4 730 932
Receivables from Exchange Trans VAT debtors		2 760 177	4 920 841
Receivables from Non-exchange T Various controls		-	-
Receivables from Non-exchange T Sundry Debtors		1 936 200	1 959 617
Cash and Cash Equivalents	Bank Balances	235 665	319 011
Cash and Cash Equivalents	Call Deposits	178 464	113 802
<b>Total Financial Assets</b>		<b>33 223 460</b>	<b>42 330 307</b>

<b><u>Financial Liabilities</u></b>	<b><u>Classification</u></b>	<b>2016</b>	<b>2015</b>
<b>Long-term Liabilities</b>			
DBSA loan	Financial Instruments at amortised cost	-	532 312
Capitalised Lease Liability	Financial Instruments at amortised cost	1 000 148	1 405 022
<b>Trade and Other Payables</b>			
Trade Creditors	Financial Instruments at amortised cost	9 014 421	10 295 907
Payments received in advance	Financial Instruments at amortised cost	475 809	475 809
Retentions	Financial Instruments at amortised cost	-	-
Other Creditors	Financial Instruments at amortised cost	3 966 411	3 549 204
		<b>14 456 789</b>	<b>16 258 255</b>
		<b>2016</b>	<b>2015</b>

**SUMMARY OF FINANCIAL LIABILITIES****Financial instruments at amortised cost:**

Long-term Liabilities	DBSA loan	-	532 312
Long-term Liabilities	Capitalised Lease Liability	1 000 148	1 405 022
Trade and Other Payables	Trade Creditors	9 014 421	10 295 907
Trade and Other Payables	Payments received in advance	475 809	475 809
Trade and Other Payables	Retentions	-	-
Trade and Other Payables	Other Creditors	3 966 411	3 549 204
<b>Total Financial Liabilities</b>		<b>14 456 789</b>	<b>16 258 255</b>

**48. FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**b) Price Risk**

The municipality is not exposed to price risk.

**c) Interest Rate Risk**

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.



**!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements**

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

**d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 17 and 18 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

	<b>2016 %</b>	<b>2016 R</b>	<b>2015 %</b>	<b>2015 R</b>
<u>Non-exchange Receivables</u>				
Rates	100.00%	10 655 846	100.00%	8 103 310
<hr/>				
<u>Exchange Receivables</u>				
Water	30.90%	9 325 693	32.75%	12 856 348
Sewerage	18.38%	5 547 240	17.47%	6 859 243
Refuse	27.10%	8 179 678	25.18%	9 884 859
Other debtors	14.48%	4 369 224	12.05%	4 730 932
VAT debtors	9.15%	2 760 177	12.54%	4 920 841
<hr/>				
	<b>100.00%</b>	<b>30 182 012</b>	<b>100.00%</b>	<b>39 252 222</b>
<hr/>				

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 17 and 18 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

	<b>2016 %</b>	<b>2016 R</b>	<b>2015 %</b>	<b>2015 R</b>
<u>Non-exchange Receivables</u>				
Rates	27.98%	8 492 607	19.10%	6 807 752
<u>Exchange Receivables</u>				
Services	72.02%	21 854 939	80.90%	28 842 477

**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2016

**Notes to the Annual Financial Statements**

	<b>100.00%</b>	<b>30 347 546</b>	<b>100.00%</b>	<b>35 650 229</b>
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The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	<b>2016 R</b>	<b>2015 R</b>
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	30 182 012	39 252 222
Cash and Cash Equivalents	415 655	435 377
	<b>30 597 667</b>	<b>39 687 599</b>

**e) Liquidity Risk**

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

## APPENDIX A

### !Kheis Local Municipality

#### Annual Financial Statements for the year ending 30 June 2016

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2015	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2016
	R				R	R	R	R
<b>DEVELOPMENT BANK OF SOUTH AFRICA</b> Development Bank of South Africa	3 000 000	5%p/a	61000562 (102358/1)	30/04/2017	-	-	-	-
<b>Total</b>	<b>3 000 000</b>				-	-	-	-
<b>TOTAL EXTERNAL LOANS</b>	<b>3 000 000</b>				-	-	-	-

**DBSA:**

Original loan capital of R 3 000 000 is repayable monthly in fixed instalments of capital and fixed rate interest. On 30 June 2015, !Kheis Municipality still owes DBSA an amount of R 532 312,22 and this amount has been provided as part of Payables from Exchange Transactions in the Annual Financial Statements. The loan will be redeemed in two installments in the 2015/2016 financial year.

**APPENDIX B**  
**IKheis Local Municipality**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016**

	Cost				Accumulated Depreciation									
	OpeningBalance Rand	Additions Rand			ClosingBalance Rand	OpeningBalance Rand	rent YearDepreciat Rand							
<b>Infrastructure</b>														
Water Network	21 176 342.11	-	-	-	21 176 342.11	-7 315 061.62	-1 083 189.07	-	-	-	-	-	-8 398 250.69	12 778 091.42
Sewerage Mains & Purification Plant	23 668 958.37	-	-	-	23 668 958.37	-4 847 046.12	-673 853.23	-	-	-	-	-	-5 520 899.35	18 148 059.02
Electricity Street & Highmasts	4 678 155.10	-	-	-	4 678 155.10	-2 539 432.79	-216 997.73	-	-	-	-	-	-2 756 430.52	1 921 724.58
Roads	58 624 858.76	-	-	-	58 624 858.76	-33 535 143.40	-2 184 299.70	-	-	-	-	-	-35 719 443.10	22 905 415.66
Refuse Disposal Site	1 743 581.00	-	-	-	1 743 581.00	-728 177.98	-95 209.36	-	-	-	-	-	-823 387.34	920 193.66
	<b>109 891 895.34</b>	-	-	-	<b>109 891 895.34</b>	<b>-48 964 861.91</b>	<b>-4 253 549.09</b>	-	-	-	-	-	<b>-53 218 411.00</b>	<b>56 673 484.34</b>
<b>Community Assets</b>														
Halls	2 886 889.93	-	-	-	2 886 889.93	-1 284 927.14	-173 148.47	-	-	-	-	-	-1 458 075.61	1 428 814.32
Libraries	1 890 383.32	-	-	-	1 890 383.32	-915 027.94	-129 359.47	-	-	-	-	-	-1 044 387.41	845 995.91
Civic Buildings	1 568 422.91	-	-	-	1 568 422.91	-792 881.25	-90 792.99	-	-	-	-	-	-883 674.24	684 748.67
Recreational Grounds	5 143 277.76	-	-	-	5 143 277.76	-1 331 535.82	-248 678.64	-	-	-	-	-	-1 580 214.46	3 563 063.30
Cemetries	267 933.06	-	-	-	267 933.06	-132 165.16	-15 037.17	-	-	-	-	-	-147 202.33	120 730.73
Parks and Gardens	12 639.51	-	-	-	12 639.51	-6 657.75	-1 709.08	-	-	-	-	-	-8 366.83	4 272.68
	<b>11 769 546.49</b>	-	-	-	<b>11 769 546.49</b>	<b>-4 463 195.06</b>	<b>-658 725.82</b>	-	-	-	-	-	<b>-5 121 920.88</b>	<b>6 647 625.61</b>
<b>Land and Buildings</b>														
Buildings	4 320 955.95	-	-	-	4 320 955.95	-2 270 074.38	-372 360.34	-	-	-	-	-	-2 642 434.72	1 678 521.23
Land	53 223 626.00	-	-	-	53 223 626.00	-	-	-	-	-	-	-	-	53 223 626.00
	<b>57 544 581.95</b>	-	-	-	<b>57 544 581.95</b>	<b>-2 270 074.38</b>	<b>-372 360.34</b>	-	-	-	-	-	<b>-2 642 434.72</b>	<b>54 902 147.23</b>
<b>MAR Database</b>														
Movables - Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	2 742 850.22	13 238.76	-4 344.04	-	2 751 744.94	-2 139 674.94	-255 079.55	-	-478.77	2 578.38	-	-	-2 392 654.88	359 090.06
Office Equipment	494 957.32	2 741.23	-	-	497 698.55	-345 952.05	-53 404.05	-	-158.97	-	-	-	-399 515.07	98 183.48
Motor Vehicles	4 317 503.71	-	-	-	4 317 503.71	-2 140 018.77	-491 352.04	-	-	-	-	-	-2 631 370.81	1 686 132.90
Other Assets	8 153 270.03	-	-	-	8 153 270.03	-7 101 652.39	-443 960.43	-	-	-	-	-	-7 545 612.82	607 657.21
	<b>15 708 581.28</b>	<b>15 979.99</b>	<b>-4 344.04</b>	-	<b>15 720 217.23</b>	<b>-11 727 298.15</b>	<b>-1 243 796.07</b>	-	<b>-637.74</b>	<b>2 578.38</b>	-	-	<b>-12 969 153.58</b>	<b>2 751 063.65</b>
<b>Lease hold Assets</b>														
Lease hold Assets	2 658 605.76	-	-	-	2 658 605.76	-1 554 097.16	-	-	-	-	-	-	-1 554 097.16	1 104 508.60
	<b>2 658 605.76</b>	-	-	-	<b>2 658 605.76</b>	<b>-1 554 097.16</b>	-	-	-	-	-	-	<b>-1 554 097.16</b>	<b>1 104 508.60</b>
<b>Work-in-progress Assets</b>														
Work-in-progress Assets	34 822 748.49	-	-	-	34 822 748.49	-	-	-	-	-	-	-	-	34 822 748.49
	<b>34 822 748.49</b>	-	-	-	<b>34 822 748.49</b>	-	-	-	-	-	-	-	-	<b>34 822 748.49</b>
<b>Grand Total</b>	<b>232 395 959.31</b>	<b>15 979.99</b>	<b>-4 344.04</b>	-	<b>232 407 595.26</b>	<b>-68 979 526.66</b>	<b>-6 528 431.32</b>	-	<b>-637.74</b>	<b>2 578.38</b>	-	-	<b>-75 506 017.34</b>	<b>156 901 577.92</b>

**APPENDIX B**  
**!Kheis Local Municipality**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015**

	Cost OpeningBalance Rand	Additions Rand	Disposals Rand	Transfer Rand	ClosingBalance Rand	Accumulated Depreciation OpeningBalance Rand	Current Year Depreciation Rand	Impairment Rand	Additions Rand	Disposal Rand	Transfer Rand	Year Adjust Rand	ClosingBalance Rand	Carrying Value Rand
<b>Infrastructure</b>														
Water Network	22 444 526.00	-	-	-	22 444 526.00	-6 977 399.00	-1 182 527.00	-	-	-	-	-	-8 159 926.00	14 284 600.00
Sewerage Mains & Purification Plant	21 232 414.00	2 436 544.41	-	-	23 668 958.41	-2 878 752.00	-631 150.00	-	-237 068.00	-	-	-	-3 746 970.00	19 921 988.41
Electricity Street & Highmasts	4 678 155.00	-	-	-	4 678 155.00	-2 176 799.00	-362 634.00	-	-	-	-	-	-2 539 433.00	2 138 722.00
Roads	44 210 969.00	14 413 890.09	-	-	58 624 859.09	-27 926 884.00	-4 707 240.00	-	-651 567.22	-	-	-	-33 285 691.22	25 339 167.87
Refuse Disposal Site	1 743 581.00	-	-	-	1 743 581.00	-624 193.00	-103 985.00	-	-	-	-	-	-728 178.00	1 015 403.00
	<b>94 309 645.00</b>	<b>16 850 434.50</b>	<b>-</b>	<b>-</b>	<b>111 160 079.50</b>	<b>-40 584 027.00</b>	<b>-6 987 536.00</b>	<b>-</b>	<b>-888 635.22</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-48 460 198.22</b>	<b>62 699 881.28</b>
<b>Community Assets</b>														
Halls	2 886 890.00	-	-	-	2 886 890.00	-1 089 340.00	-195 587.00	-	-	-	-	-	-1 284 927.00	1 601 963.00
Libraries	1 890 383.00	-	-	-	1 890 383.00	-725 247.00	-189 781.00	-	-	-	-	-	-915 028.00	975 355.00
Civic Buildings	1 568 423.00	-	-	-	1 568 423.00	-654 847.00	-109 091.00	-	-	-	-	-	-763 938.00	804 485.00
Recreational Grounds	5 143 278.00	-	-	-	5 143 278.00	-1 059 597.00	-271 939.00	-	-	-	-	-	-1 331 536.00	3 811 742.00
Cemetries	267 932.00	-	-	-	267 932.00	-113 292.00	-18 873.00	-	-	-	-	-	-132 165.00	135 767.00
Parks and Gardens	12 640.00	-	-	-	12 640.00	-5 328.00	-1 330.00	-	-	-	-	-	-6 658.00	5 982.00
	<b>11 769 546.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11 769 546.00</b>	<b>-3 647 651.00</b>	<b>-786 601.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-4 434 252.00</b>	<b>7 335 294.00</b>
<b>Land and Buildings</b>														
Buildings	4 320 956.00	-	-	-	4 320 956.00	-1 945 905.00	-324 169.00	-	-	-	-	-	-2 270 074.00	2 050 882.00
Land	54 276 000.00	-	-	-	54 276 000.00	-	-	-	-	-	-	-	-	54 276 000.00
	<b>58 596 956.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58 596 956.00</b>	<b>-1 945 905.00</b>	<b>-324 169.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-2 270 074.00</b>	<b>56 326 882.00</b>
<b>MAR Database</b>														
Movables - Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	2 714 305.00	87 714.00	-	-	2 802 019.00	-1 860 595.00	-317 111.00	-	-13 762.00	-	-	-	-2 191 468.00	610 551.00
Office Equipment	531 879.00	5 415.00	-42 336.00	-	494 958.00	-325 371.00	-55 757.00	-	-375.00	35 552.00	-	-	-345 951.00	149 007.00
Motor Vehicles	2 771 244.00	1 849 269.00	-	-	4 620 513.00	-1 880 970.00	-332 823.00	-	-188 149.00	-	-	-	-2 401 942.00	2 218 571.00
Other Assets	136 132.37	14 700.00	-2 866.00	-	147 966.37	-81 453.76	-14 025.00	-	-934.00	2 509.00	-	-	-93 903.76	54 062.61
	<b>6 153 560.37</b>	<b>1 957 098.00</b>	<b>-45 202.00</b>	<b>-</b>	<b>8 065 456.37</b>	<b>-4 148 389.76</b>	<b>-719 716.00</b>	<b>-</b>	<b>-203 220.00</b>	<b>38 061.00</b>	<b>-</b>	<b>-</b>	<b>-5 033 264.76</b>	<b>3 032 191.61</b>
<b>Lease hold Assets</b>														
Lease hold Assets	3 426 954.66	3 956 345.19	-3 426 954.66	-	3 956 345.19	-628 275.02	-1 562 799.78	-	-	628 275.02	-	-	-1 562 799.78	2 393 545.41
	<b>3 426 954.66</b>	<b>3 956 345.19</b>	<b>-3 426 954.66</b>	<b>-</b>	<b>3 956 345.19</b>	<b>-628 275.02</b>	<b>-1 562 799.78</b>	<b>-</b>	<b>-</b>	<b>628 275.02</b>	<b>-</b>	<b>-</b>	<b>-1 562 799.78</b>	<b>2 393 545.41</b>
<b>Work-in-progress Assets</b>														
Work-in-progress Assets	18 699 703.50	-18 699 703.50	20 048 360.00	-	20 048 360.00	-	-	-	-	-	-	-	-	20 048 360.00
	<b>18 699 703.50</b>	<b>-18 699 703.50</b>	<b>20 048 360.00</b>	<b>-</b>	<b>20 048 360.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20 048 360.00</b>
<b>Grand Total</b>	<b>192 956 365.53</b>	<b>4 064 174.19</b>	<b>16 576 203.34</b>	<b>-</b>	<b>213 596 743.06</b>	<b>-50 954 247.78</b>	<b>-10 380 821.78</b>	<b>-</b>	<b>-1 091 855.22</b>	<b>666 336.02</b>	<b>-</b>	<b>-</b>	<b>-61 760 588.76</b>	<b>151 836 154.30</b>

# APPENDIX C

## !KHEIS MUNICIPALITY

### SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2016

Description	Cost / Revaluation						id s a l	Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Disposals	Transfers	Revaluations	Closing Balance		Opening Balance	Disposals	Additions	Depreciation	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Executive and Council</b>	<b>69 314 128</b>	-	-	-	-	<b>69 314 128</b>		<b>(6 733 270)</b>	-	-	<b>(1 031 078)</b>	<b>(7 764 348)</b>	<b>61 549 781</b>
<i>Executive &amp; Council</i>	<i>69 314 128</i>	-	-	-	-	<i>69 314 128</i>		<i>(6 733 270)</i>	-	-	<i>(1 031 078)</i>	<i>(7 764 348)</i>	<i>61 549 781</i>
<b>Finance &amp; Admin</b>	<b>15 708 581</b>	<b>15 980</b>	<b>(4 344)</b>	-	-	<b>15 720 217</b>		<b>(11 727 298)</b>	<b>2 578</b>	<b>(638)</b>	<b>(1 243 796)</b>	<b>(12 969 154)</b>	<b>2 751 064</b>
<i>Finance and Administration</i>	<i>15 708 581</i>	<i>15 980</i>	<i>(4 344)</i>	-	-	<i>15 720 217</i>		<i>(11 727 298)</i>	<i>2 578</i>	<i>(638)</i>	<i>(1 243 796)</i>	<i>(12 969 154)</i>	<i>2 751 064</i>
<b>Waste Water Management/Sewer</b>	<b>25 412 540</b>	-	-	-	-	<b>25 412 540</b>		<b>(5 575 224)</b>	-	-	<b>(769 063)</b>	<b>(6 344 287)</b>	<b>19 068 253</b>
<i>Sewerage Mains</i>	<i>25 412 540</i>	-	-	-	-	<i>25 412 540</i>		<i>(5 575 224)</i>	-	-	<i>(769 063)</i>	<i>(6 344 287)</i>	<i>19 068 253</i>
<b>Water Network</b>	<b>21 176 340</b>	-	-	-	-	<b>21 176 340</b>		<b>(7 315 062)</b>	-	-	<b>(1 083 189)</b>	<b>(8 398 251)</b>	<b>12 778 089</b>
<i>Water Network</i>	<i>21 176 340</i>	-	-	-	-	<i>21 176 340</i>		<i>(7 315 062)</i>	-	-	<i>(1 083 189)</i>	<i>(8 398 251)</i>	<i>12 778 089</i>
<b>Electricity Network</b>	<b>4 678 155</b>	-	-	-	-	<b>4 678 155</b>		<b>(2 539 433)</b>	-	-	<b>(216 998)</b>	<b>(2 756 431)</b>	<b>1 921 724</b>
<i>Electricity Network</i>	<i>4 678 155</i>	-	-	-	-	<i>4 678 155</i>		<i>(2 539 433)</i>	-	-	<i>(216 998)</i>	<i>(2 756 431)</i>	<i>1 921 724</i>
<b>Roads transport</b>	<b>58 624 859</b>	-	-	-	-	<b>58 624 859</b>		<b>(33 535 143)</b>	-	-	<b>(2 184 300)</b>	<b>(35 719 443)</b>	<b>22 905 416</b>
<i>Roads</i>	<i>58 624 859</i>	-	-	-	-	<i>58 624 859</i>		<i>(33 535 143)</i>	-	-	<i>(2 184 300)</i>	<i>(35 719 443)</i>	<i>22 905 416</i>
<b>Total</b>	<b>194 914 603</b>	<b>15 980</b>	<b>(4 344)</b>	<b>-</b>	<b>-</b>	<b>194 926 239</b>		<b>(67 425 430)</b>	<b>2 578</b>	<b>(638)</b>	<b>(6 528 423)</b>	<b>(73 951 912)</b>	<b>120 974 327</b>

## APPENDIX D

### !KHEIS MUNICIPALITY

#### SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

2015 Actual Income	2015 Actual Expenditure	2015 Surplus/ (Deficit)	Description	2016 Actual Income	2016 Actual Expenditure	2016 Surplus/ (Deficit)
R	R	R		R	R	R
<b>55 771 138</b>	<b>52 363 901</b>	<b>3 407 237</b>	<b>Municipal Owned</b>	<b>56 120 003</b>	<b>48 694 763</b>	<b>7 425 240</b>
4 325 050	3 491 971	833 080	<i>Executive and Council</i>	4 422 527	9 099 474	(4 676 947)
39 085 979	26 314 372	12 771 607	<i>Finance &amp; Admin</i>	36 457 488	17 289 018	19 168 470
1 000 000	6 918 912	(5 918 912)	<i>Public Works</i>	-	3 876 892	(3 876 892)
4 473 719	2 796 865	1 676 854	<i>Waste Water Management</i>	5 042 004	7 415 123	(2 373 119)
6 724 328	12 841 782	(6 117 454)	<i>Water/Electricity</i>	8 723 404	9 848 595	(1 125 191)
162 063	-	162 063	<i>Road Transport</i>	1 474 580	1 165 661	308 919
-	-	-		-	-	-
<b>55 771 138</b>	<b>52 363 901</b>	<b>3 407 237</b>	Sub-Total	<b>56 120 003</b>	<b>48 694 763</b>	<b>7 425 240</b>
			Revenue Foregone			
<b>55 771 138</b>	<b>52 363 901</b>	<b>3 407 237</b>	Total	<b>56 120 003</b>	<b>48 694 763</b>	<b>7 425 240</b>

**APPENDIX E (1)**  
**IKHEIS MUNICIPALITY**  
**ACTUAL versus BUDGET (REVENUE AND EXPENDITURE)**

	Actual 2016 R	Budget 2016 R	Explanation of significant variances greater than 10% versus budget
<b>REVENUE</b>			
Sale of goods	-		
Service Charges	9 089 139	9 072 155	
Rental of Facilities and equipment	599 396	526 862	
Licenses and permits	314 560	52 638	
Debt impairment gain	-	-	
Other income	1 154 691	3 161 197	
Interest Earned - External Investments	241 230	75 993	
Interest Earned - Outstanding Debtors	-	-	
Property rates	3 876 125	3 854 420	
Government grants & subsidies	38 685 598	41 978 000	
<b>Total Revenue</b>	<b>53 960 740</b>	<b>58 721 265</b>	
<b>EXPENDITURE</b>			
Employee Related Costs	17 562 054	16 641 610	
Remuneration of Councillors	2 347 422	2 315 792	
Depreciation and Amortisation	8 083 158	10 901 525	
Debt Impairment	5 534 854	8 221 560	
Repairs and Maintenance	1 215 803	-	
Finance Costs	502 546	538 905	
Free basic services		-	
Bulk Purchases	888 575	1 168 223	
Grants and Subsidies Paid	2 294 877	2 742 013	
General Expenses	8 104 445	19 165 521	
Loss on Disposal of Property, Plant and Equipment			
<b>Total Expenditure</b>	<b>46 533 734</b>	<b>61 695 149</b>	
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>7 427 006</b>	<b>(2 973 884)</b>	
<b>OTHER REVENUE / EXPENDITURE INCURRED</b>			
Gain on Disposal of Property, Plant and Equipment	(1 766)		
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>7 425 240</b>	<b>(2 973 884)</b>	



## APPENDIX E (2)

### IKHEIS MUNICIPALITY

#### BUDGET ANALYSIS OF CAPITAL EXPENDITURE AS AT 30 JUNE 2016

	Additions	Budget	Variances	Variances	Explanation of significant variances greater than 10% versus budget
	2016 R	2016 R	2016 R	2016 %	
<b>MUNICIPALITY</b>					
Executive and Council	-	-	-	0%	
Finance and Admin	-	-	-	0%	
Public Works	-	-	-	0%	
Comm. & Social/Libraries and archives	-	2 000 000	(2 000 000)	0%	
Housing	-	-	-	0%	
Public Safety/Police	-	-	-	0%	
Sport and Recreation	-	-	-	0%	
Refuse removal	-	-	-	0%	
Waste Water Management/Sewerage	-	4 234 000	(4 234 000)	0%	
Road Transport/Roads	-	-	-	0%	
Water/Water Distribution	-	10 671 000	(10 671 000)	0%	
Electricity/Electricity Distribution	-	-	-	0%	
Other/Air transport	-	-	-	0%	
<b>Total Capital Expenditure</b>	<b>-</b>	<b>16 905 000</b>	<b>(16 905 000)</b>	<b>-</b>	

**GRANT REGISTER**  
**IKHEIS MUNICIPALITY**  
**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grants and Subsidies Received 2015/2016

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts						Quarterly Expenditure					Grants and Subsidies Delayed / Withheld					AGREE WITH FILE	Compliance to Revenue Act (*)	PERSENT SPEND
		June/ rol over amount	Sept	Dec	March	June	Total	Sept	Dec	March	June	Total	Sept	Dec	March	June	TOTAL		Yes / No	
COGHSTA WATER RETICULATION	COGHSTA - Provincial	-	-	-	-	-	-	263 340.00	181 332.24	-	-	444 672.24	-263 340	-181 332	0	0	-444 672	N/A	Yes	#DIV/0!
Financial Management Grant	National Treasury	-	1 875 000.00	-	-	-	1 875 000.00	889 899.17	582 061.57	182 321.32	220 717.94	1 875 000.00	985 101	582 062	-182 321	-220 718	0	N/A	Yes	100
Municipal Systems Improvement Grant	COGHSTA - National	-	930 000.00	-	-	-	930 000.00	453 908.57	285 740.00	168 460.09	21 891.34	930 000.00	476 091	285 740	-168 460	-21 891	0	N/A	Yes	100
Library Grant	Sports, Acts & Culture	-	421 000.00	-	420 000.00	-	841 000.00	177 325.76	211 246.03	138 338.45	123 947.27	650 857.51	243 674	211 246	281 662	-123 947	190 142	N/A	Yes	77
Municipal Infrastructure Grant	COGHSTA - National	654 113.00	3 629 000.00	5 243 000.00	1 613 000.00	-	11 139 113.00	2 963 977.59	1 598 946.85	2 832 143.02	3 744 045.87	11 139 113.33	665 022	6 841 947	-1 219 143	-3 744 046	-0	N/A	Yes	100
DWA ACIP Funds	DWA	-	2 084 828.71	1 713 594.86	621 576.44	-	4 420 000.01	2 084 828.71	1 713 594.86	621 576.43	-	4 420 000.00	0	0	0	0	0	N/A	Yes	100
EPWP Incentive Grant	DPWRT - Provincial	-	400 000.00	300 000.00	300 000.00	-	1 000 000.00	129 075.91	281 987.13	215 510.00	373 427.00	1 000 000.04	270 924	581 987	84 490	-373 427	-0	N/A	Yes	100
Conditional Grant - Dept Housing (Houses)	COGHSTA - Provincial	-	-	-	-	-	-	-	-	-	-	-	0	0	0	0	0	N/A	Yes	#DIV/0!
Lotto	Sports	-	365 715.00	-	-	-	365 715.00	-	53 716.80	148 356.41	64 756.69	266 829.90	365 715	53 717	-148 356	-64 757	98 885	N/A	Yes	73
EEDSM		-	1 000 000.00	-	1 000 000.00	-	2 000 000.00	983 649.00	-	13 734.00	1 002 617.00	2 000 000.00	16 351	0	986 266	-1 002 617	0	N/A	Yes	100
<b>Total Grants and Subsidies Received</b>		<b>654 113.00</b>	<b>#####</b>	<b>7 256 594.86</b>	<b>3 954 576.44</b>	<b>-</b>	<b>22 570 828.01</b>	<b>7 946 004.71</b>	<b>4 908 625.48</b>	<b>4 320 439.72</b>	<b>5 551 403.11</b>	<b>22 726 473.02</b>	<b>2 759 539.00</b>	<b>2 347 969.38</b>	<b>-365 863.28</b>	<b>-155 645.01</b>	<b>-155 645.01</b>			
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?																				

**APPENDIX G(1)**

**IKheis Municipality**

**BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY STANDARD CLASSIFICATION) FOR THE YEAR ENDED JUNE 2016**

Description	2015/16											2014/15			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>REVENUE - STANDARD</b>															
<b>Governance and Administration:</b>															
Executive and Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Budget and Treasury Office	35 989 570	-	35 989 570	-	-	35 989 570	36 457 488	-	467 918	101	101	-	-	-	-
Corporate Services	3 354 420	500 000	3 854 420	-	-	3 854 420	4 422 527	-	568 107	115	132	-	-	-	-
<b>Community and Public Safety:</b>															
Community and Social Services	2 228 110	161 000	2 389 110	-	-	2 389 110	-	-	(914 530)	62	66	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Economic and Environmental Services:</b>															
Planning and Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Transport	990 513	959 533	1 950 046	-	-	1 950 046	1 474 580	-	(475 466)	76	149	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Trading Services:</b>															
Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water	8 754 562	70 000	8 824 562	-	-	8 824 562	8 723 404	-	(101 158)	99	100	-	-	-	-
Waste Water Management	1 717 183	260 440	1 977 623	-	-	1 977 623	5 042 004	-	3 064 381	255	294	-	-	-	-
Waste Management	2 498 136	284 356	2 782 492	-	-	2 782 492	-	-	(2 782 492)	-	-	-	-	-	-
<b>Other:</b>															
Licence	-	-	-	-	-	-	-	-	-	0	-	-	-	-	-
Intergovernmental & Special Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	<b>55 532 493</b>	<b>2 235 329</b>	<b>57 767 822</b>	<b>-</b>	<b>-</b>	<b>57 767 822</b>	<b>56 120 003</b>	<b>-</b>	<b>(173 239)</b>	<b>97</b>	<b>101</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURE - STANDARD</b>															
<b>Governance and Administration:</b>															
Executive and Council	4 865 820	(211 590)	4 654 230	-	-	4 654 230	9 099 474	-	4 445 244	196	187	-	-	-	-
Budget and Treasury Office	20 551 856	3 218 600	23 770 456	-	-	23 770 456	17 289 018	-	(6 481 438)	73	84	-	-	-	-
Corporate Services	7 976 570	-	7 976 570	-	-	7 976 570	3 876 892	-	(4 099 678)	49	49	-	-	-	-
<b>Community and Public Safety:</b>															
Community and Social Services	2 448 401	(584 500)	1 863 901	-	-	1 863 901	-	-	(1 863 901)	-	-	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Economic and Environmental Services:</b>															
Planning and Development	804 611	813 482	1 618 093	-	-	1 618 093	1 165 661	-	(452 432)	72	145	-	-	-	-
Road Transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Trading Services:</b>															
Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water	8 460 438	(271 990)	8 188 448	-	-	8 188 448	9 848 595	-	1 660 147	120	116	-	-	-	-
Waste Water Management	4 532 145	(532 796)	3 999 349	-	-	3 999 349	7 415 123	-	3 415 774	185	164	-	-	-	-
Waste Management	5 838 078	763 631	6 601 709	-	-	6 601 709	-	-	(6 601 709)	-	-	-	-	-	-
<b>Other:</b>															
License	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental & Special Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	<b>55 477 919</b>	<b>3 194 837</b>	<b>58 672 757</b>	<b>-</b>	<b>-</b>	<b>58 672 757</b>	<b>48 694 763</b>	<b>-</b>	<b>(9 977 994)</b>	<b>83</b>	<b>88</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Surplus/(Deficit) for the year</b>	<b>54 574</b>	<b>(959 508)</b>	<b>(904 934)</b>	<b>-</b>	<b>-</b>	<b>(904 934)</b>	<b>7 425 240</b>	<b>-</b>	<b>9 804 754</b>	<b>-</b>	<b>13 606</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**APPENDIX G(2)**  
**!Kheis Municipality**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2015**

Description	2014/15											2013/14			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Reported Unauthorised Expenditure	Balance to be Recovered	Restated Audited Outcome
<b>REVENUE BY VOTE</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Vote 1 - Executive and council	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 2 - Financial & Administrative	45 468 926	1 202 977	46 671 903	-	-	46 671 903	40 880 015	-	(5 791 888)	87.59	89.91	-	-	-	-
Vote 3 - Public Work	937 095	-	937 095	-	-	937 095	1 474 580	537 485	537 485	157.36	157.36	-	-	-	-
Vote 4 - Refuse	4 838 166	-	4 838 166	-	-	4 838 166	-	-	(4 838 166)	0.00	0.00	-	-	-	-
Vote 5 - Water	4 935 443	-	4 935 443	-	-	4 935 443	8 723 404	3 787 961	3 787 961	176.75	176.75	-	-	-	-
<b>Total Revenue by Vote</b>	<b>56 179 631</b>	<b>1 202 977</b>	<b>57 382 608</b>	<b>-</b>	<b>-</b>	<b>57 382 608</b>	<b>51 077 999</b>	<b>4 325 446</b>	<b>(6 304 609)</b>	<b>89.01</b>	<b>90.92</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURE BY VOTE</b>															
Vote 1 - Executive and council	9 224 693	293 995	9 518 688	-	-	9 518 688	9 099 474	-	(419 214)	95.60	98.64	-	-	-	-
Vote 2 - Financial & Administrative	23 737 293	3 556 010	27 293 303	-	-	27 293 303	21 165 910	-	(6 127 393)	77.55	89.17	-	-	-	-
Vote 3 - Public Work	9 445 956	(740 568)	8 705 388	-	-	8 705 388	1 165 661	-	(7 539 727)	13.39	12.34	-	-	-	-
Vote 4 - Refuse	6 001 220	(306 001)	5 695 219	-	-	5 695 219	7 415 123	1 719 904	1 719 904	130.20	123.56	-	-	-	-
Vote 5 - Water	7 749 231	(1 562 227)	6 187 004	-	-	6 187 004	9 848 595	3 661 591	3 661 591	159.18	127.09	-	-	-	-
<b>Total Expenditure by Vote</b>	<b>56 158 393</b>	<b>1 241 209</b>	<b>57 399 603</b>	<b>-</b>	<b>-</b>	<b>57 399 603</b>	<b>48 694 763</b>	<b>5 381 495</b>	<b>(8 704 840)</b>	<b>84.83</b>	<b>86.71</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Surplus/(Deficit) for the year</b>	<b>21 237</b>	<b>(38 232)</b>	<b>(16 995)</b>	<b>-</b>	<b>-</b>	<b>(16 995)</b>	<b>2 383 236</b>	<b>(1 056 049)</b>	<b>2 400 231</b>	<b>0.00</b>	<b>11 222.03</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
														#REF!	

**APPENDIX G(3)**  
**!Kheis Municipality**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

Description	2014/15											2012/13			
	Original Total	Budget	Final Adjustments	Shifting of	Virement	Final	Actual	Unauthorised	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported	Expenditure	Balance to be	Restated
	Budget	Adjustments	Budget	Funds		Budget	Outcome	Expenditure				Expenditure	o. Sect	recovere	Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Revenue by Source</b>															
Property Rates	3 354 420	500 000	3 854 420	-	-	3 854 420	3 876 125	-	21 705	100.56	115.55	-	-	-	-
Property Rates - Penalties & Collec	#REF!	#REF!	#REF!	-	-	#REF!	-	-	#REF!	#REF!	#REF!	-	-	-	-
Service Charges - Electricity	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Service Charges - Water	4 304 994	70 000	4 374 994	-	-	4 374 994	4 303 404	-	(71 590)	98.36	99.96	-	-	-	-
Service Charges - Sanitation	1 717 183	260 440	1 977 623	-	-	1 977 623	2 061 406	-	83 783	104.24	120.05	-	-	-	-
Service Charges - Refuse	2 435 182	284 356	2 719 538	-	-	2 719 538	2 724 329	-	4 791	100.18	111.87	-	-	-	-
Service Charges - Other	#REF!	#REF!	#REF!	-	-	#REF!	#REF!	-	#REF!	#REF!	#REF!	-	-	-	-
Rental of Facilities and Equipment	545 302	(18 440)	526 862	-	-	526 862	599 396	-	72 534	113.77	109.92	-	-	-	-
Interest Earned - External Investme	43 940	32 053	75 993	-	-	75 993	241 230	-	165 237	317.44	548.99	-	-	-	-
Interest Earned - Outstanding Deb	175 799	(175 799)	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Dividends Received	#REF!	#REF!	#REF!	-	-	#REF!	-	-	#REF!	#REF!	#REF!	-	-	-	-
Fines	4 204	(4 204)	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Licences and Permits	2 748	49 890	52 638	-	-	52 638	314 560	-	261 922	597.59	11 445.28	-	-	-	-
Agency Services	986 308	911 099	1 897 407	-	-	1 897 407	-	-	(1 897 407)	0.00	0.00	-	-	-	-
Transfers Recognised - Operationa	24 119 120	588 880	24 708 000	-	-	24 708 000	20 513 768	-	(4 194 232)	83.02	85.05	-	-	-	-
Other Revenue	883 208	380 582	1 263 790	-	-	1 263 790	1 154 691	-	(109 099)	91.37	130.74	-	-	-	-
Gains on Disposal of PPE	#REF!	#REF!	#REF!	-	-	#REF!	-	-	#REF!	#REF!	#REF!	-	-	-	-
<b>Total Revenue (excluding Capital)</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	-	-	<b>#REF!</b>	<b>#REF!</b>	-	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	-	-	-	-
<b>Expenditure</b>															
Employee Related Costs	19 433 617	(2 792 006)	16 641 610	-	-	16 641 610	17 562 054	920 444	920 444	105.53	90.37	-	-	-	-
Remuneration of Councillors	2 305 412	10 380	2 315 792	-	-	2 315 792	2 347 422	31 630	31 630	101.37	101.82	-	-	-	-
Debt Impairment	5 221 560	3 000 000	8 221 560	-	-	8 221 560	5 534 854	-	(2 686 706)	67.32	106.00	-	-	-	-
Depreciation and Asset Impairmen	5 136 000	5 765 525	10 901 525	-	-	10 901 525	8 083 158	-	(2 818 367)	74.15	157.38	-	-	-	-
Finance Charges	615 905	(77 000)	538 905	-	-	538 905	502 546	-	(36 359)	93.25	81.59	-	-	-	-
Bulk Purchases	953 223	215 000	1 168 223	-	-	1 168 223	888 575	-	(279 648)	76.06	93.22	-	-	-	-
Other Materials	3 297 201	(1 078 940)	2 218 261	-	-	2 218 261	1 215 803	-	(1 002 458)	54.81	36.87	-	-	-	-
Contracted Services	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Transfers and Grants	2 019 103	722 910	2 742 013	-	-	2 742 013	2 294 877	-	(447 136)	83.69	113.66	-	-	-	-
Other Expenditure	16 495 580	451 680	16 947 260	-	-	16 947 260	8 104 445	-	(8 842 815)	47.82	49.13	-	-	-	-
Loss on Disposal of PPE	#REF!	#REF!	#REF!	-	-	#REF!	1 766	#REF!	#REF!	#REF!	#REF!	-	-	-	-
<b>Total Expenditure</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	-	-	<b>#REF!</b>	<b>46 535 499</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	-	-	-	-
<b>Surplus/(Deficit)</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	-	-	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	-	-	-	-
Transfers Recognised - Capital	16 905 000	365 000	17 270 000	-	-	17 270 000	18 171 830	901 830	901 830	105.22	107.49	-	-	-	-
Contributions Recognised - Capital	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Contributed Assets	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
<b>Surplus/(Deficit) after Capital</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	-	-	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	-	-	-	-
Surplus / (Deficit) from Discontin	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Share of Surplus/(Deficit) of Associ	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
<b>Surplus/(Deficit) for the Year</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	-	-	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	-	-	-	-

APPENDIX G(4)  
IKheis Municipality  
RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED JUNE 2016

Description	2015/16											2014/15			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	expenditure authorised t.o. Sect 3	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE - VOTE</b>															
<b>Multi-year Expenditure</b>															
Vote 1 - Executive and council	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 2 - Financial & Administration	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 3 - Public Work	2 000 000	-	2 000 000	-	-	2 000 000	6 277 326	-	4 277 326	313.87	313.87	-	-	-	-
Vote 4 - Refuse	4 234 000	-	4 234 000	-	-	4 234 000	4 528 008	-	294 008	106.94	106.94	-	-	-	-
Vote 5 - Water	10 671 000	-	10 671 000	-	-	10 671 000	10 514 666	-	(156 334)	98.53	98.53	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Multi-year</b>	16 905 000	-	16 905 000	-	-	16 905 000	21 320 000	-	4 415 000	126.12	126.12	-	-	-	-
<b>Single-year Expenditure</b>															
Vote 1 - Executive and council	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 2 - Financial & Administration	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 3 - Public Work	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 4 - Refuse	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 5 - Water	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
<b>Total Capital Expenditure - Single-year</b>	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
<b>Total Capital Expenditure - Vote</b>	16 905 000	-	16 905 000	-	-	16 905 000	21 320 000	-	4 415 000	126.12	126.12	-	-	-	-
<b>CAPITAL EXPENDITURE - STANDARD</b>															
<b>Governance and Administration:</b>															
Executive and council	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Budget and treasury office	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Community and Public Safety:</b>															
Community and social services	2 000 000	-	2 000 000	-	-	2 000 000	6 277 326	4 277 326	4 277 326	313.87	313.87	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Economic and Environmental Services:</b>															
Planning and development	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Road transport	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Trading Services:</b>															
Electricity	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Water	10 670 542	-	10 670 542	-	-	10 670 542	10 514 666	-	(155 876)	98.54	98.54	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste management	4 234 458	-	4 234 458	-	-	4 234 000	4 528 008	294 008	294 008	106.94	106.93	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other:</b>															
Other	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	16 905 000	-	16 905 000	-	-	16 904 542	21 320 000	4 571 334	4 415 458	126.12	126.12	-	-	-	-
<b>FUNDED BY:</b>															
National Government	16 905 000	-	16 905 000	-	-	16 905 000	21 730 298	4 825 298	4 825 298	128.54	128.54	-	-	-	-
Provincial Government	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Other Transfers and Grants	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
<b>Transfers Recognised - Capital</b>	16 905 000	-	16 905 000	-	-	16 905 000	21 730 298	4 825 298	4 825 298	128.54	128.54	-	-	-	-
Public Contributions & Donations	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Internally Generated Funds	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
<b>Total Capital Funding</b>	16 905 000	-	16 905 000	-	-	16 905 000	21 730 298	4 825 298	4 825 298	128.54	128.54	-	-	-	-

**APPENDIX G(5)**  
**Kheis Municipality**  
**RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016**

Description	2015/2016								2014/2015
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Ratepayers and Other	4 657 227.00	4 657 227	-	4 657 227	3 635 734	(1 021 493)	78.07	78.07	-
Government - Operating	19 771 000.00	21 896 000	-	21 896 000	20 513 768				-
Government - Capital	14 168 000.00	14 168 000	-	14 168 000	18 171 830	4 003 830	128.26	128.26	-
Interest	1 193 930.00	1 193 930	-	1 193 930	241 230	(952 700)	20.20	20.20	-
Dividends	-	-	-	-	-	-	0.00	0.00	-
<b>Payments</b>									
Employee costs					(19 909 476)				
Suppliers and Employees	-26 800 673.00	(26 800 673)	-	(26 800 673)	(6 507 186)	20 293 487	0.00	0.00	-
Finance Charges	-203 593.00	(203 593)	-	(203 593)	(502 546)	(298 953)	0.00	0.00	-
Other payments				-	-				
Other cash items				-	-				
Transfers and Grants	-	-	-	-	-	-	0.00	0.00	-
<b>NET CASH FROM / (USED) OPERATING ACTIVITIES</b>	<b>12 785 891</b>	<b>14 910 891</b>	<b>-</b>	<b>14 910 891</b>	<b>15 643 354</b>	<b>22 024 171</b>	<b>104.91</b>	<b>122.35</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on sale of PPE	382 058	382 058	-	382 058	-	(382 058)	0.00	0.00	-
Purchase of PPE	-	-	-	-	(14 790 368)	(14 790 368)	0.00	0.00	-
Purchase of Intangible Assets	-	-	-	-	-	-			-
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	0.00	0.00	-
<b>Payments</b>									
Capital Assets	-14 168 000.00	(14 168 000)	-	(14 168 000)	-	14 168 000	0.00	0.00	-
<b>NET CASH FROM / (USED) INVESTING ACTIVITIES</b>	<b>(13 785 942)</b>	<b>(13 785 942)</b>	<b>-</b>	<b>(13 785 942)</b>	<b>(14 790 368)</b>	<b>(1 004 426)</b>	<b>0.00</b>	<b>0.00</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
Repayment of borrowings	(520 000)	(520 000)	-	(520 000)	-	520 000	0.00	0.00	-
Increase/decrease in consumer deposits	7 123	7 123		7 123	-				
Finance lease payments					(872 710)				
New Loans raised	-	-	-	-	-	-	0.00	0.00	-
<b>Payments</b>									
Loans repaid	-	-	-	-	-	-	0.00	0.00	-
<b>NET CASH FROM / (USED) FINANCING ACTIVITIES</b>	<b>(512 877)</b>	<b>(512 877)</b>	<b>-</b>	<b>(512 877)</b>	<b>(872 710)</b>	<b>520 000</b>	<b>0.00</b>	<b>0.00</b>	<b>-</b>
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>	<b>(1 000 051)</b>	<b>1 124 949</b>		<b>(1 000 051)</b>					
Cash / Cash Equivalents at the Year begin:	1 513 017	(611 983)		(611 983)	(19 723)	631 706	0.00	0.00	-
Cash / Cash Equivalents at the Year end:	4 465 000	4 465 000		4 465 000	435 378	(4 029 622)	9.75	9.75	-
	2 951 983	5 076 983		5 076 983	415 655	(4 661 328)	8.19	14.08	-